

Infill development within Greater Hobart

Stage 2 report

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1 Introduction

Growth in fringe urban areas has been a key characteristic of metropolitan Hobart's development pattern over the past decade. The existing transport infrastructure has been primarily derived from the demand generated by historical land use planning and development in the Region. This has included:

- dispersed patterns of settlement
- low-density residential development
- separation of land uses
- the location of large public housing areas on the fringe of major urban areas.

Outer suburbs tend to be less compact, with limited services – for example, local shops, doctors' surgeries or child care centres – leading to greater travel distances and reliance on cars. Hobart's dispersed settlement pattern is more expensive to service in terms of health, education and community service provision when compared with typical urban or more centralised settlement patterns.

This report identifies strategies that state and local government could develop to encourage infill development. The focus is to take a broad approach, identifying what may be applicable to the Greater Hobart context and then assessing each initiative prior to determining the principles and conditions for infill development, followed by a suite of recommendations specific to the Greater Hobart context.

This report should be read in conjunction with the Stage 1 report, which identified the barriers and drivers to delivering more infill development in Hobart.

1.1 Project background

The *Southern Tasmania Regional Land Use Strategy 2010–2035* sets a 25-year infill development target within the Greater Hobart area of around 13,900 dwellings in existing urban areas. The intent is to achieve a 50:50 ratio of greenfield to infill.

The Strategy has recommended a minimum density target of 25 dwellings (gross net density) per hectare for infill development, defined as the following:

- development within existing urban areas through:
  - small-scale subdivision or unit development on existing residential lots
  - redevelopment of brownfield or greyfield sites;
- may involve increases in density.

The Department of Infrastructure, Energy and Resources (DIER) has developed a Transit Corridor Plan for the Main Road Corridor from Glenorchy to Hobart CBD and is also considering the feasibility of operating light rail services on the rail corridor. As part of the Transit Corridors project, potentially developable sites for infill were for identified along the Main Road Corridor which includes the activity centres of Hobart, Glenorchy, Moonah, New Town and North Hobart.

Strategies within this plan will focus on encouraging higher density development adjacent to key public transport corridors and activity centres, as this form of development encourages greater sustainable transport use, with higher levels of public transport, walking and cycling use.

Research in other parts of Australia has identified that the provision of infill development is a challenge. The development process can be complex, lengthy and more costly to the developer than greenfield development.

The housing development market in Tasmania is highly geared towards greenfield development, with 85% of new dwellings in Greater Hobart presently being built in greenfield areas.

In order to achieve a significantly higher level of infill development within Greater Hobart, it is likely that there will need to be deliberate policy changes and some form of government intervention. The Regional Strategy and the Regional Model Planning Scheme provide the starting point for policy changes towards achieving higher densities through infill development. However, other policy changes are likely to be required, which is the subject of this investigation. A better understanding of the drivers and inhibitors to developing land for infill development is required to inform both state and local government in determining what other changes can be made.




2 Supply-side intervention opportunities

2.1 Site identification and assembly

2.1.1 Site amalgamation

A key barrier to urban renewal can occur where there are a variety of sites in varying ownership and strata titles. A range of mechanisms have or are being employed and investigated to address these challenges including:

1 **THE CREATION OF DEVELOPMENT INCENTIVES FOR AMALGAMATED SITES – APPLIED BY LOCAL PLANNING AUTHORITIES.**

This mechanism is regularly used by local planning authorities across NSW to incentivise the amalgamation of sites (often those located within neighbourhood centres) that suffer from high levels of lot fragmentation that restrict opportunities for renewal and mixed-use development. In effect, the local planning statute offers a greater density of development, expressed through a floors space ratio (FSR), for sites over a certain size – that is, the permissible FSR increases from 1:1 to 1.5:1 for sites over 1,000 m^2.

2 **STRATEGIC PLANNING THAT DESIGNATES OR RESERVES URBAN RENEWAL AREAS FOR STRATEGIC USES SUCH AS INFRASTRUCTURE CORRIDORS OR INFILL AREAS.**

3 **AMENDMENTS TO LEGISLATION TO ENABLE COMPULSORY ACQUISITION.**

This mechanism is a more significant, and often politically challenging, approach to alter the powers of an organisation through legislation to allow it to compulsorily acquire land to amalgamate sites. As discussed in Section 3, when UrbanGrowth NSW was formed they were given this power under the *Growth Centres Development Corporations (GCDC) Act 1974* to combat a longstanding (over 15-year long) challenge regarding fragmented lot subdivisions in Sydney's growth centres.

When should it be used?

These mechanisms should be used in locations with high levels of lot fragmentation where the private investment market has insufficient incentive to amalgamate sites without government intervention. The third mechanism should be restricted to scenarios where the willing sale of land that is critical to the success of urban renewal within an urban renewal precinct cannot be negotiated.

Is it applicable to state or local government?

The first and second levers should be used by local and state planning authorities in urban renewal areas and corridors identified for change. The third mechanism is likely to be used in exceptional and rare cases where there is a major and longer term prospect of a barrier to urban renewal. This mechanism is likely to be restricted to the use of state-based urban renewal authorities.

What are the benefits and challenges of using it?

There are a number of overarching benefits to using one or multiple levers to facilitate lot amalgamations. In essence they can enable a more holistic, cost-effective and timely renewal of an area by securing multiple sites into a single ownership. This can in turn reduce development risk while increasing efficiencies of scale and the need to potentially pay a price premium for the purchase of fragmented lots with the intention of timely amalgamation.

What are the legislative and governance implications?

The first and second levers could be secured as part of a local Planning Scheme and associated precinct structure plan or comprehensive development plan. While the third lever is technically possible under current legislation (see below), if any specific state-based legislation is established for a Hobart Urban Renewal Authority or existing government department, then powers of compulsory acquisition could be established under that Act.

Suitability for Hobart

Site assembly and amalgamation has been used historically and also recently in Greater Hobart. Examples include 99 Bathurst Street; Stowell Avenue, Battery Point; Alberry Avenue, Soundy Park; 'Vaucluse' in South Hobart; and most recently the UTAS housing development on the Melville Street Car Park. Housing Tasmania has undertaken a number of urban developments after site assembly and amalgamation; however, in most instances these have occurred without the use of the site amalgamation levers discussed above.

Development incentives are discussed in more detail in Section 2.2**.**

Strategic planning is a well-established and regularly applied mechanism by councils and state government around Tasmania. Examples include the Southern Tasmania Regional Land Use Strategy and the Draft Hobart Capital City Plan. Compulsory acquisition to amalgamate sites for urban renewal and development has not been used in the Greater Hobart context or in Tasmania more generally.

The *Land Acquisition Act 1993* allows for land to be acquired where there is a statutory authorisation (clause 4b) or by authorisation by the Governor where the land is required for a public purpose (clause 3). In addition, Part 1A of the *Land Acquisition Act 1993* also allows the acquisition of land for the purpose of infrastructure to be constructed or operated by the private sector. Importantly the definition of infrastructure includes 'any other service which may be prescribed'.

2.1.2 Facilitation of government land

Local and state government, including its agencies and business enterprises, are strategic holders of land which periodically either becomes redundant and/or provides opportunity for more intensive redevelopment. The size and spread of the landed assets offer opportunity not only for increased government funding from disposal revenue but also synergies in clustering new development around these assets and/or catalysts for economic development in areas targeted for urban renewal and employment. Examples of synergistic uses include:

- universities and employment zones for knowledge industries;
- public hospitals and private hospitals, medical centres, visitor carparks, residential and entertainment uses;
- council carparks and shopping centres;
- sports grounds and mixed uses including commercial offices, retails and sports services;
- wharves and tourism uses.

In cases of larger redundant land areas or collective holdings, opportunities exist for brownfield development as an extension of government policy for urban consolidation, community uses and open space, employment uses (technology parks, business incubation) and tourism.

Government assistance may also help overcome barriers associated with acquiring, assembling and remediating potential infill sites. Many state governments around Australia have created redevelopment authorities that acquire, assemble, remediate, prepare and package-up land for resale and development by private developers (redevelopment authorities are discussed further in Section 3). State and local government can also ensure appropriate land is available for infill development by undertaking land use surveys to identify potential infill opportunities, keeping an up-to-date register of these sites (this could apply to government and private land) and making sure they are zoned appropriately.

Where has it been used?

Government land has been used as a catalyst for urban renewal in a multitude of locations including Melbourne Docklands (Vic.), Kingston Foreshore (ACT), City West (Sydney City, NSW), Sydney Olympic Park (Homebush, NSW), Green Square (Sydney, NSW), Maribyrnong Defence Lands (Melbourne, Vic.) and Honeysuckle (Newcastle, NSW).

When should it be used?

Where government land can be effectively rezoned or redeveloped to optimise land value uplift and to stimulate broader economic investment to the benefit of the locality and/or state. The land can then be disposed of so that the subsequent revenue can be invested into infrastructure or services that are to the public benefit, or the land can be retained for development to meet a public need (i.e. affordable housing, art gallery, and public and open space).

Is it applicable for local or state government?

With the exception of small sites owned by local government (i.e. car park sites) this lever is mainly used at a state or commonwealth level (i.e. Defence Housing Australia.) Notwithstanding this, it is a lever that has been successfully used by local government at a more localised scale.

What are the benefits and challenges of using it?

The benefit is often seen as a means of effectively and efficiently using land as a catalyst to fund major infrastructure and to stimulate the economy or to meet community needs. The approach does not need extensive capital outlay upfront as land is already within government ownership. Large landholdings can, however, have notable challenges requiring extensive master planning, public consultation, remediation and the provision of upfront infrastructure and utilities. Caution is therefore needed to ensure the plan is feasible through market testings and joint ventures and the land is used responsibly in the public interest. The Australian Housing and Urban Research Institute (AHURI) suggests government should work closely with developers to ensure the sale and renewal of public land maximises the opportunity to deliver a broad range of diverse and affordable housing.[1]

What are the legislative and governance implications?

Government agencies typically have limited powers for commercial transactions and capacity for sustained debt. Legislation must be shaped to enable urban renewal agencies to borrow funds or to receive grants from Treasury to enable works to occur. In some cases joint venture agreements are also required with private industry organisations that can lead to a series of legislative and governance complexities. In many cases the financial cost of setting up governance arrangements and the lead time to move from planning to financial return prohibits such a lever to large-scale urban renewal precincts and/or projects.

[1] AHURI *in* Rowley, S and Phibbs, P 2012, Developing diverse and affordable housing infill development site, August 2012.

Suitability for Hobart

This lever has been used at a number of locations in Greater Hobart – most notably the Wapping area and the old Transport Tasmania site (1 Collins Street). The Wapping site was formerly used as a bus depot owned by the state government. The Wapping Implementation Group was formed to redevelop the Wapping area. The Macquarie Point site is another current example of where this lever could be used.

This lever is highly suitable for Hobart; however, there must be a change in how surplus government and government business enterprise (GBE) sites are disposed of. In recent years, surplus land has been sold on a full commercial basis, with varying success. Any surplus government and GBE sites that become available within the priority infill areas (refer to Section 6 'Recommendations') and perhaps elsewhere within Greater Hobart should be considered and, if appropriate, made available for stimulating infill development.

2.2 Development feasibility

2.2.1 Bonus floorspace

This is an incentive system that increases the development potential of a site (i.e. building height and scale from an agreed building envelope or maximum height) in exchange for the funding of, or provision of works in kind, to facilitate community, infrastructure or environmental improvements.

The difference between the base envelope or building height to the maximum envelope or building height is referred to for the purposes of the study as 'bonus' or development incentive. This can be a financial windfall for the developer as the building capacity for rental or sale is increased**.**

Developers are able to potentially achieve a bonus in exchange for delivering an appropriate package of works that could comprise infrastructure and/or public domain works. This is pursuant to recognition of the need to deliver public domain and community infrastructure following an intensification of development. Notwithstanding the availability of a bonus building envelope or building height through the incentive system, it is subject to the environmental capacity of the site to accommodate additional density.

Where has it been used?

This lever is used in a number of states in Australia including NSW, Queensland and Western Australia, and internationally under varying names (i.e. Incentive Zoning in New York and New Zealand).

Focusing first on Australia, the application of bonus FSR has been well established in NSW. In essence, FSR (or plot ratio, as it is referred to in Victoria) is the ratio of gross building floorspace area (excluding external balconies, internal stairs, lift wells and underground parking[2]) to site area. A building area of 2,000 m^2 on a 1,000 m^2 site is said to have an FSR or plot ratio of 2:1. An additional grant of floorspace (i.e. a 'bonus') ratio of 0.5:1 allows the developer to increase the floorspace on the same site to 2,500 m^2.

In the case of Sydney, this lever has played a key role in facilitating urban renewal in areas such as Ultimo/Pyrmont (City West Urban Renewal), Waverley, Randwick, Leichhardt, City of Sydney and North Sydney Local Government Areas (LGAs) for the provision of affordable housing. In exchange for the bonus, affordable housing can be provided by the developer in kind or in lieu of a levy.

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[2] Note that the details of what is considered within as floorspace may vary across planning authorities and jurisdictions.

This tool has also been used in Sydney to encourage sustainable development – that is, green buildings in mid-rise and high-rise zones. It has also been used in Green Square (City of Sydney LGA) and the Sydney Olympic Park as an incentive for better planning and design outcomes, including affordable housing and/or the provision of public benefits (i.e. parks and roads). The granting of a bonus FSR is subject to a levy being paid which council uses for local area betterment. The levy is established at approximately 50% of the market value of the land value increment.

A nexus between the levy and planning bonus is required. This is typically based on the relationship between higher density development (i.e. housing or employment uses) and the greater need for improved infrastructure. Alternatively, it is justified on the need to cross-subsidise the cost of provision of affordable housing with the financial gain achieved with increased development yield.

Bonus FSR has also been used as a means for enabling heritage conservation in Sydney City Council and the City of Perth (please see discussion under Lever 10 below).

INTERNATIONAL APPLICATION – NEW YORK CITY

The concept of granting increased densities in exchange for specified contributions has also been used in international planning jurisdictions. The concept was first introduced in New York City and Chicago and is commonly referred to as 'incentive zoning'.[3] Over the past 20 years the concept has become commonplace in the United States. The incentive-based system essentially establishes base requirements for developments that are also complemented with an exhaustive list of incentive criteria to entice developers to incorporate desired development criteria into projects. Examples of incentives include floor area ratios (similar to FSRs), bonuses for affordable housing provided on site and height bonuses for provision of public amenities on site.

It has been suggested that while incentive zoning offers a high degree of flexibility, it can be complex from an administrative perspective. The more incentive criteria a proposed development incorporates, the higher the degree of discretion required by the planning authorities. It is further acknowledged that while the incentive-based system can promote good planning and development outcomes, it often requires ongoing monitoring and revision to ensure balance between magnitude and value of the incentive to developers.

INTERNATIONAL APPLICATION – CITY OF AUCKLAND, NEW ZEALAND

The City of Auckland's development controls incorporate a bonus floor area system to incentivise developers to provide elements that result in a public benefit within their developments. This system allows for greater site intensity to be achieved in exchange for items including accommodation, pre-school facilities, rest rooms, cycle parking, light and outlook, plazas, heritage floorspace, works of art, landscape and amenity areas, through-site links, footpath widening and escalators.

More specifically, the District Plan lists the bonus features that must be provided to secure bonus floor area. These features are established on a per square metre basis and the maximum floor area ratio limit that applies to a site. For example, a bonus floor area of 3 m^2 is available for every square metre of a pre-school facility that is provided, while a bonus floor area of 500 m^2 is available for every pair of escalators provided.[4]

Several independent reviews of the bonus floor area system have found the following.

- Some of the bonuses appear over-weighted for the environmental benefit originally anticipated.
- The bonus system is heavily skewed towards accommodation across the City, noting that the accommodation bonus was introduced at a time when the residential population of the City was relatively low.

[3] Webvest, Glossary and dictionary Index.

[4] City of Auckland, District Plan Part 6 – Development Controls.

- A review of the accommodation bonus, as an incentive for residential development, may no longer be required given that a significant amount of residential development has resulted from the bonus.
- The current rules relating to the use of bonus floor area have on occasion resulted in poor outcomes. It was recommended that compliance and delivery of the bonus features be monitored more closely and that the number of bonuses be reduced.

Provisions

(1) Where a development site is to include a tall building (16 storeys or greater), a competitive design process must be undertaken, in accordance with any policy adopted by Council.

(2) Each competitive design process is to be limited to a single development site, and in any case not to cover an area larger than 7,000sqm of developable site area.

(3) Additional floorspace awarded for the competitive process under the relevant clause of the LEP will be proportional to the percentage of the lot area covered by the competitive process (excluding any land to be dedicated for streets and open space). For example, the bonus floorspace attributable to a competitive design process undertaken for development site 12A would be calculated as follows:

= (Development site area / (Lot area – area of site to be dedicated)) x 10%

= (6218sqm / (32997sqm – 18775 sqm)) x 10% = 4.37% bonus FSR

(4) In distributing any additional floor space within the area covered by the competitive design process, the following considerations must be appropriately addressed:

(a) Site and context analysis;

(b) Public domain layout, including levels, uses, access and circulation, dedications and hierarchy of spaces;

(c) Built form massing and dimensioned envelopes;

(d) Overshadowing analysis;

(e) Stormwater management strategy;

(f) Traffic management and servicing strategy, parking numbers and location;

(g) Ecologically sustainable development strategies and benchmark commitments (including connection to green infrastructure); and

Figure 1

Example of a planning statute used by the City of Sydney in the Green Square Urban Renewal Area to provide a floorspace bonus in exchange for developer contributions to community infrastructure.

The City of Auckland proposes to modify the bonus floor area system, among other things amending the standards and assessment criteria, removing bonuses for certain previously allowed features and allowing council to decline proposals that do not result in a genuine public benefit.

INTERNATIONAL APPLICATION – CITY OF SEATTLE, UNITED STATES

The City of Seattle recognises that as its density increases, the impacts of development could be offset by a number of land use tools, these measures also helping to improve liveability and respect for neighbourhood character. Incentive zoning in the form of density bonus programs and the transfer of development rights have been instituted as one of these tools or levers to achieve the city's goals.

When should it be used?

In locations that require additional funding sources for infrastructure and other community needs that also have the potential to increase density without compromising environmental and social outcomes. It should be applied in areas that have a sound planning framework that is administered by a suitably resourced organisation.

It is also only successful in areas where increased density is viable. For example it was found in Canada and Sydney that outer-ring suburbs and environmentally sensitive areas are not applicable. Typical areas where it is most effective are old industrial areas (with low-density development) being rezoned to new uses with higher densities for mixed use. Effectively, local or state government can capture some of this betterment for infrastructure and community investment.

Is it applicable to local or state government?

Bonus FSR is typically administered at a local level through the local planning instrument – that is, planning scheme in conjunction with a Precinct Structure Plan or Comprehensive Development Plan – but equally it is applicable for state government development authorities where the urban renewal area is a mix of government and private land. If the release area is all government land the bonus FSR simply offsets the land value.

In essence: Land Value + Bonus FSR Levy = the Market Value of the land with increased FSR.

What are the benefits and challenges of using it?

If the bonus is priced at a level that is feasible for development, this lever has proven to be a highly effective mechanism to stimulate development at a high density within a master planned urban renewal precinct. It can raise funding for new roads, new parks and community facilities while incentivising lot amalgamation (see Lever 1). It can also encourage the provision of works in kind and funding over and above developer contribution levies.

The challenge is in the pricing, setting the base building envelope, building height or plot ratio and guidelines as to what is accepted to ensure the retention of acceptable planning and architectural standards. Furthermore there should be a strong focus on the public benefit and social outcomes as opposed to the quantum of funds raised.

In this regard, when formulating its Incentive Zoning Policy, the City of Seattle received advice from the Seattle Planning Commission to assist it with developing an effective policy tool to achieve public benefits. It was acknowledged that more detailed and probing economic studies were needed to determine how best to balance the goal of greater density with public benefits to meet community objectives.

It was further recognised that as sound public policy, an appropriate portion of economic benefit to landowners and developers resulting from rezoning or upzoning should be captured for public reinvestment.

Notwithstanding the principle of value capture for public benefit, it was also pointed out that 'Seattle should ensure that any upzones provided are to be significant enough to provide real benefit to developers and a substantial difference in its effort to increase density'.[5]

What are the legislative and governance implications?

Bonus and incentive zoning is a highly effective lever that can be applied by local government through its planning scheme to incentivise urban renewal. In many instances, the use of bonus and incentive zoning is tied to the site approval and/or the planning agreement negotiation process.

The Green Square Urban Renewal Area, within the remit of the City of Sydney Council, appears to be one of the few codified systems stipulating contribution rates and the extent to which bonus floorspace may be procured. There are schemes in other local jurisdictions that articulate 'public benefit' as an objective for granting bonus floorspace; however, the method of calculating public benefit and quantum of floorspace can be unclear. Many of these bonus floorspace schemes have in the past been criticised for being unclear, uncertain and inequitable.

Take-up of bonus floorspace for achieving site-specific development outcomes (e.g. increased residential, building or design excellence) that contribute to development profits is, unsurprisingly, less problematic. Conversely, the take-up of bonus floorspace for achieving 'public benefit' can be fraught, particularly if there is an absence of a clear rationale for measuring public benefit against the quantum of additional floorspace.

Notwithstanding the underpinning requirement of development feasibility, the importance of close monitoring by government is important to ensure compliance by developers where works-in-kind rather than monetary contributions are sought. Ultimately, holistic, integrated and comprehensive planning controls will be key to regulating development to ensure quality and amenity is not compromised by increased densities. This is the planning nexus that needs to be established for it to have legislative support.

Suitability for Hobart

Bonus plot ratio has been available in the *City of Hobart Planning Scheme 1982* since its introduction. Principle 8 provides for awarding of bonus plot ratio for development which provides for specific 'facilities and features approved or required for the benefit of the city in particular precincts'.

It has been used on many occasions for securing additional floorspace for commercial buildings within the Hobart CBD, but not for a solely residential development. The *Draft Hobart Interim Planning Scheme* provides for a 'bonus storey' for developments in the Central Business Fringe Area if the development provides at least 50% of the floorspace above ground level for residential use.

Bonus floorspace has excellent potential for use in facilitating increased infill development in Greater Hobart; however, more detailed analysis (at a site-by-site level) is required to confirm its specific suitability.

2.2.2 Car parking

The provision of car parking, either above ground or below, can be a major factor in the feasibility of a development. Accordingly the provision of car parking with respect to the quantum of car parking provided as part of a development, and the means of delivering/funding the car parking, is increasingly being used as an urban renewal driver.

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[5] Seattle Planning Commission, Incentive Zoning in Seattle, White Paper, February 2007.

Where has it been used?

Variations to car parking rates have been used in a notable number of urban renewal precincts across Australia that are located within reasonable proximity to public transport. By way of example, the Melbourne Planning Scheme has recently been amended to allow for the provision of zero on-site car parking spaces. It places a discretionary limit of one car parking space per dwelling for developments over four storeys. The car park allowance initially applied to the Capital City Zone and Docklands; the expansion includes Carlton, Southbank and parts of North Melbourne, West Melbourne and East Melbourne.

In some cases, the need to provide car parking for some dwellings in an urban renewal have been removed entirely (for example the largest urban renewal project in Brisbane being Northshore, Hamilton or for the Frasers site in Sydney City).

Changes to car parking thresholds can also work hand-in-hand with Build Own Operate and Transfer (BOOT) schemes. This form of joint venture agreement can be formed between a property owner (be it state or local government or a private interest) and a development organisation (private or government). In effect, the former provides the land while the latter builds a car park (either below ground or as deck car parking) to be provided at a cost to the public. The new car park provides an efficient means of addressing the car parking needs of a locality while generating a revenue for the developer in return. After an agreed period (i.e. 20 years) the car park and its revenue can be returned to the original land owner.

This approach (and some variations to it) is frequently employed by hospitals (such as St George Hospital Sydney or the Royal North Shore Hospital). It also has potential, however, to be used by state and local government authorities with the appetite to enter into such agreements.

Another car parking lever that has been employed in Melbourne is a parking levy. In 2006 the Victorian Government implemented a parking levy for all specialised parking buildings within Melbourne CBD as well as Southbank, Docklands and St Kilda Road Precincts. The levy is an annual contribution by owners of non-residential car parks with the funding directed towards public transport improvements.[6]

When should it be used?

In urban renewal areas that benefit from reasonable levels of public transport and are located within close proximity to centres and services.

Is it applicable to local or state government?

This lever can be used by both local and state government.

What are the benefits and challenges of using it?

A notable benefit associated with the reduction in the number of car parking spaces provided as part of the development is the reduced cost (i.e. reduced need to excavate, alter building form or dedicate land to car parking spaces). This cost can in turn be passed on to the prospective buyer resulting in 'a more' affordable housing product than otherwise would have been secured. In some cases it can make the difference between an economically viable and unviable development resulting in development outcomes that may not otherwise have been possible.

The use of BOOT schemes can have similar benefits in addition to the provision of additional car parking spaces to the public. From a funding perspective, ongoing revenue generated from the BOOT scheme can also be used to fund improvements within the urban renewal precinct or the operation of community facilities. There are, however, challenges associated with ensuring the schemes are

[6] Moving Melbourne – A Transport Funding and Financing Discussion Paper, Committee For Melbourne.

undertaken in locations that are financially viable and in designing an agreement that suits both parties.

A reduction in car parking spaces for sites located within close proximity of transport nodes can also have broader environmental and social sustainability benefits, including the greater propensity of residents to walk to transport, and associated health improvements.

What are the legislative and governance implications?

Variations to parking standards should be set out within Precinct Structure Plans or Comprehensive Development Plans. BOOT schemes could be secured through joint venture agreements.

Suitability for Hobart

This lever is highly suitable for immediate operation in appropriate areas, initially focused along the Main Road Corridor which links Glenorchy to the Hobart CBD. Initial steps have been taken to change car parking standards – for example, the Hobart City Council has proposed a maximum on-site parking standard for development in the Central Business Zone (zone applies within the Hobart CBD) in its *Draft Interim Planning Scheme*. A change in car parking standards will support the Tasmanian Urban Passenger Transport Framework, which identifies transit corridor development as a means to create sustainable, accessible, healthy and liveable communities.

The Main Road Corridor from Glenorchy Interchange to Hobart CBD (via Main Road, New Town Road and Elizabeth Street) is the subject of the first transit corridor plan ever to be developed in Tasmania and provides for reasonable levels of public transport and is located within close proximity to centres and services – ideal pre-conditions for this lever. The Tasmanian Government is currently investigating the feasibility of operating light rail on the corridor between Hobart and Glenorchy, and if this initiative is progressed it would also ensure that infill development along the Main Road and rail corridor is in close proximity to frequent, reliable public transport services.

2.2.3 Tax incentives and grants

Tax incentives, funding and grants cover all tiers of government as stimulus for development to occur in areas identified for economic renewal and job creation.

Where has it been used?

Examples of taxes that have been implemented in Australia and internationally at varying levels of government include the following.

FEDERAL GOVERNMENT

- New market tax credits for specified developments by nominated location (USA).
- Tax increment financing (i.e. USA, NZ).
- Accelerated depreciation (i.e. UK Economic Enterprise Zones).
- Infrastructure bonds (i.e. Australia – offset tax liabilities plus coupon bond returns).
- Grants (i.e. Australia – funding for relocation, export marketing including travel, staff and accommodation).
- Tax holidays on company tax for start-up business and specific industries/activities (e.g. offshore banking, international call centres).
- Reduced withholding tax for foreign business start-up (i.e. call centres, R&D labs).

STATE GOVERNMENT

- New market tax credits for specified development by nominated location (USA).
- Tax increment financing (USA).
- Nil or reduced payroll tax for a period of time for large employment generating business (Australia).
- Nil or reduced stamp duties on land purchase by purchaser type, asset type or location (i.e. Australia – first home buyers).
- Government land subsidy (or extended crown lease).
- Grants for relocation costs, community works.
- Premier's Department support for planning, approvals and sourcing land.

LOCAL GOVERNMENT

- Council land or air rights subsidy (car parks).
- Rates relief for residents of new multi-unit housing under a certain price threshold for a set period of time.
- Grants or developer levy offset for community benefits.
- New market tax credits for tenant fit out.
- Tax increment financing.

How does it work?

Three of the particularly innovative examples listed above that are used in a variety of urban renewals internationally are explained and discussed further below.

NEW MARKET TAX CREDITS

In the USA, new market tax credits are offered by federal, state and local governments to stimulate mixed-use development in targeted areas set for urban renewal and employment growth. They are highly prescriptive about the mix of uses and encourage the developer to build and hold the development as an investment for a minimum of seven years to maximise the benefits of the loans.

Although they are called new market tax credits they are effectively an equity loan with up to seven years to repay the equity and loan interest investment loan (interest only). The equity to debt is a 30:70 ratio. At a local government level, the funding is tied to office fit-out and funding is offset by future local government rates and taxes (like a TIF scheme). To the lenders of debt there are certain tax offsets like infrastructure bonds in Australia.

TAX INCREMENT FINANCING (TIF)

In the USA, a TIF leverages the future state and local government taxes to offset its development/investment loan over time. TIFs usually take between 15 and 23 years to pay off, although a successful project can be paid off even sooner.

In practice the developer secures the development loan and is responsible for repayments and is totally liable if they go into default. Government does not provide security or equity for this loan. What government(s) offer to do, however, is to fix their property taxes over a fixed period. In the USA, taxing entities are quite broad and include city, schools, county and local special business districts.

Any increase in those taxes goes to offset the developer loan over a 15–25 year period. Sales taxes are also frozen at current levels, but the increases are split between the project and the taxing entities. Any taxing entities receiving sales tax will continue to receive their current amount plus 50% of increase in sales taxes generated by the project. These savings in taxes can represent 15–20% of the loan repayment and hence make lending easier for a developer.

When the loan is paid off, the tax revenues increase to their new levels and everyone benefits by receiving those additional revenues. Advocates of this lever suggest that not only is there an increase in taxes over time (to help provide more services and programs) but also a new development that will serve as an economic catalyst in an area for employment and trade.

ACCELERATED DEPRECIATION

In the UK, targeted areas for employment growth are termed 'economic enterprise zones'. These zones often benefit from accelerated depreciation to support development within them and the relocation of businesses to them.

In Australia during the 1970s a similar scheme applied to urban growth centres such as Albury–Wodonga, Bathurst–Orange, and Parramatta. Relocation costs, accelerated depreciation and salary tax incentives were provided. State governments in Australia have also applied similar incentive packages at key target industries such as boat manufacturing in Queensland and automotive industries in Victoria and South Australia.

In a draft discussion paper, the Australian Coalition has recently floated the concept of a new economic zone in northern Australia that would benefit from accelerated depreciation.

When should it be used?

Tax incentives, grants and subsidies provide economic stimulus but their relative success needs to be based on a sustainable economic foundation. One may say 'you can lead industry but you cannot guarantee long-term viability without the economic fundamentals to justify the move'. The identification and short-listing of areas and measures to influence need to be first predicated on economic grounds before politics favours a location and subsidy.

Experience with delivering urban renewal areas for employment generating uses points to a long lead time before industry commits to the location. This is in part due to the long-term business decision cycle for industry which is not only dependent upon the attraction of a new location but also on its existing commitments relating to:

- the replacement of plant
- existing leases and contracts
- sourcing of staff
- transport and storage.

But the decision is also dependent upon industry building confidence in the desirability of the location and the likelihood of the business tax incentives remaining in place despite changes in government or economic climates. Businesses have also remained cautious with respect to planning for headquarters. On the other hand, residential development from the developer's perspective is simple – it is the window of opportunity to sell the land/units off the plan, develop and settle. Retail development at a shopping centre level tends to be more proactive as well, looking to identify a market and capture market share ahead of its competitors. To this end, major retail stores such as Coles and Woolworths, and shopping centre operators such as Stocklands and Westfield will invest in an area ahead of time if they are confident the population will grow to match.

What are the benefits and challenges of using it?

Each of the tax incentive schemes discussed above has great potential to incentivise change. For example, accelerated depreciation reduces the tax liability of a business and hence improves profitability by increasing after-tax cash flow. It is therefore a strong economic stimulus for investment. Notwithstanding this, Commonwealth Government collaboration and approval is required to implement it.

In the case of new market tax credits and tax increment financing, there is increasing dialogue and consideration with respect to their potential application in Melbourne.[7] They would, however, require a longer term commitment by the Victorian Government (particularly in the case of TIF) and careful analysis of how each lever could work under existing or amended state government legislation. These newer levers would also require business and industry support and confidence to be effectively implemented.

What are the legislative and governance implications?

Depreciation is tied to corporate tax and hence is a commonwealth government issue over which state and local government have no influence. In the USA, the individual states control sales taxes, but in Australia GST (sale tax equivalent) is a commonwealth tax and hence, with the exception of payroll tax and council rates, there is little leverage for tax incentives without commonwealth cooperation. To use methods such as accelerated depreciation, a strong economic case would be required.

Suitability for Hobart

Rates relief and state government support for headworks charges have been used a number of times in Greater Hobart – a notable recent example being the Myer redevelopment. The state government also asked for expressions of interest on the Major Development Infrastructure Assistance Fund (December 2013) for grants of between $100,000 and $1 million towards infrastructure costs to assist eligible developers start significant projects. Residential development was only eligible if the project could demonstrate direct, substantial and enduring public benefit.

2.2.4 Heritage floorspace trading

This lever provides an incentive for the conservation and maintenance of heritage buildings while providing opportunities for landowners to 'buy' additional floorspace. It allows owners of heritage buildings (that generally sit well below maximum height levels in inner city areas) to sell the development potential of their site as floorspace to owners of alternative sites within a defined area.

Where has it been used?

This lever has been used by inner City Councils such as the City of Sydney (since 1997) and the City of Perth (since 1994).

The City of Sydney scheme works by requiring the conservation works to be undertaken by the heritage building owner prior to floorspace being awarded. Once complete, a covenant is placed on the heritage building to ensure that the floorspace is not used again. The owner of the heritage building must also commit to the ongoing maintenance of the building in accordance with a Conservation Management Plan that is approved by council.

In practice, if a developer wishes to exceed the base FSR (generally 8:1) within the City of Sydney, there is a requirement to buy heritage floorspace. The development must also be subject to a design excellence process to ensure the additional building height and/or bulk is appropriate. In the case of a successful transaction, the development consent conditions the allocation of the relevant

[7] ibid.

floorspace to the developer's site. The copy of the signed deed must also be provided to council and stamp duty must be paid on the quantum of floorspace transacted.

The value and sale of the heritage floorspace is a private transaction between the owner of the heritage building and the prospective buyer. The price of trading is also a matter to be privately agreed; however, the City of Sydney indicates that $400/m^2 is the current purchase price (about 40% of land value). An online register of available floorspace for purchase and transactions/prices paid is maintained for transparency by the City of Sydney.

A review of the register finds that three awards of heritage floorspace were given in 2012 while there were seven sales (total floorspace of 3,840 m^2 at a price of $382/m^2). The total floorspace taken up varies annually from 29,457 m^2 in 2006 to 1,180 m^2 in 2009. The average value also varies from a peak of $699/m^2 in 1997 to a low of $351 in 2009. The latter being largely reflective of the development pipeline in Sydney following the global economic downturn. As of 2012, over 50,000 m^2 of floorspace was available for sale.[8]

The City of Perth also has a policy whereby additional plot ratio is awarded in return for the provision of community facilities or uses of public benefit (i.e. public open space, public art, and a monetary contribution for offsite works to improve the public domain as well as the conservation of heritage buildings).

The City's Bonus Plot Ratio Policy permits a maximum 20% bonus plot ratio to any building of cultural or heritage significance within the City of Perth. The scale of the bonus awarded is calculated based on how much of the heritage is to be retained and the proposed treatment of the site after works have been completed.

When should it be used?

This approach has proven successful in inner city locations with a number of heritage buildings and where there are opportunities to increase density beyond a base level or building envelope.

Is it applicable to local or state government?

This is a policy that is suited to local government; however, it could also be applied by state-based planning authorities that govern an urban renewal precinct.

What are the benefits and challenges of using it?

The scheme has been successful in Perth and Sydney LGAs in supporting the conservation and enhancement of heritage buildings. In the City of Sydney it is estimated this number sits at approximately 65 buildings alone. It is also a long-standing scheme that aligns with the council's planning controls and standards.

Discussions with the City of Sydney have, however, identified a number of challenges in its application. A key challenge being the inability to control the supply of floorspace that is available to the market and the quantum of demand that is taken up. While the City of Sydney has a requirement for developers to buy the space if they wish to exceed a base development level (and hence an incentive to purchase), supply has outstripped demand.

As a result, the value of the floorspace is presently at 30–40% of land value which represents a decline in recent years. The City of Sydney identifies this as an 'equity' issue as some property owners receive less than others over time.

Another challenge relates to the timing of payment. In effect, the heritage property owner must invest the capital upfront in order to undertake the works and prepare a conservation management plan. Accordingly the scheme cannot be used by owners without available capital. Furthermore there

[8] Heritage Floorspace Update, City of Sydney December 2012

is no certainty that having sold the air space rights, there will be a purchaser, or a purchaser who will pay a given price.

A final challenge relates to the additional level of legislative complexity that such a scheme can create for the private investment market.

What are the legislative and governance implications?

In the case of the City of Sydney, the scheme is enabled through the planning authorities' local statute (i.e. planning scheme and precinct structure plans). The City of Sydney's Heritage Floorspace Scheme (HFS) underpins council's policies including its Local Environmental Plan 2012 and Development Control Plan. The award of HFS is restricted to buildings that are listed in their entirety as heritage items in Schedule 5 of the Sydney LEP 2012. It does not apply to heritage items that are only listed as parts of buildings such as 'facade' or 'building element'.

Suitability for Hobart

During Stage 1 of the project a number of Hobart developers noted that heritage planning issues are particularly problematic and costly. However, these comments related more specifically to re-development of buildings or sites with heritage considerations, as opposed to heritage floorspace trading.

This lever might appear to have some merit for use in Greater Hobart given the number of heritage listed properties in Hobart (Glenorchy has relatively less); however, it requires more detailed investigation prior to its implementation given elsewhere it is reserved for use within inner city locations with strong demand for office floorspace, a likely lower ratio of listed to unlisted properties and the challenges in its application. The Hobart Draft Interim Planning Scheme proposes detailed building height and setback standards to reconcile and meet streetscape, heritage and amenity objectives.

2.3 Planning and development assessment

2.3.1 Simplified planning process

As mentioned in Stage 1 of the study, lengthy and difficult approval processes can work against the delivery of infill development. There are a number of more specific levers that can be used to create certain and simplified planning processes that support feasible development including:

- constantly working on streamlining development approval and permit processes;
- ensuring planning provisions facilitate the delivery of infill development (i.e. appropriate zoning, height, etc.) and eliminate excessive standards;
- identifying and creating priority infill areas that concentrate incentives and remove barriers;
- the preparation of a clear masterplan or precinct structure plan and associated design guidelines for priority infill areas that is outcome based and has been tested from an economic perspective to be sure that its controls and mix of uses are viable;
- the clear definition of who would be the determinative authority for the precinct (i.e. council, urban renewal authority or the minister) and the associated development assessment processes;
- the creation of an effective mechanism to align government referral agencies (i.e. a one-stop shop for referrals, or a prescribed time limit for agencies to respond);
- the availability of sufficiently skilled and resourced planners who have a commercial understanding to meet with prospective developers at the pre-application stage and through the assessment process to 'manage' and facilitate a smooth and transparent development assessment process;

- providing regular education programs for developers and builders on state and local government planning provisions, codes and other legislative requirements and updates;
- the creation of effective e-planning tools to facilitate the investigation of key plans and legislation relating to sites in the precinct, as a means of engaging the community and as a means to track progress on planning processes;
- fostering a mindset among councils, government and GBEs where good outcomes for the community are just as important as following procedure.

A bolder and more interventionist lever at this level could be the award of strategic and development assessment powers to an urban renewal planning authority for Greater Hobart. Similar to the approach given to EDQ or the former ULDA (discussed in Section 3) this would allow the new authority to be a single point of contact for developers in the precinct and for developers to have a dedicated approval authority without competing considerations.

Less extreme measures relate to the NSW SMDA and NSW DPI models that 'coordinated' local and state government authorities in the planning process and 'unlocked' development potential through the redesign of planning controls.

Another approach would be the redesign of precinct structure plans so that they followed a form or code-based approach (i.e. the Queensland or New York City models). For example, code-based assessment (permitted as of right or permitted) could be extended to apply to multi-unit developments up to three storeys in nominated urban renewal precincts. In its 2011 study *Getting the housing we want*, the Grattan Institute recommend that these codes address matters such as:

- **Impact on neighbouring properties**
  - Set maximum height limits.
  - Maintain privacy and minimise overlooking.
  - Minimise overshadowing, glare and reflection.
  - Use layout and building design to protect residents from noise.
- **Appearance from the street**
  - Set back at least as far as the average of neighbouring buildings.
  - Reduce appearance of bulk with balconies, variations in appearance and front and side set-backs for upper storeys.
  - Dedicate a minimum area to landscaping.
  - Provide unobtrusive garbage collection and clothes-drying spaces.
  - Place garages to reduce their visual impact on the street.
  - Retain significant trees and landscaped public areas.
- **Contribution to the neighbourhood**
  - Improve safety and security through public lighting and windows facing the street.
  - Contribute to high-quality public open space.
  - Provide physical links between buildings and public places.
- **Internal amenity**
  - Internal features like how much sunlight should enter living rooms and the amount of private open space.[9]

[9] Kelly, J-F, Breadon, P and Reichl, J 2011, Getting the housing we want, Grattan Institute, Melbourne.

The Grattan Institute also believes a code-based system would complement the traditional assessment process by providing developers with a choice – should their development be fully compliant with the codes, then an expedited approval would be given (either through private certification or a special 10–15 day council-led assessment). If, however, their development is more innovative, unique or ambitious than the codes permit, then developers could opt to seek an approval under the traditional merit-based approval system. This two-track approach to delivering infill development would create certainty for developers that complies with the codes and potentially improves development feasibility.

State and local governments can also pave the way for infill development and reduce community resistance to it by educating residents and engaging with them during the early stages of the strategic planning process. Educating the community can help them to understand the benefits of infill development and address the fears and uncertainties they have about it. A planning process that is inclusive, transparent, intimate and future focused will also enable the community to create shared principles that reflect the vision they have for their neighbourhood and the trade-offs they are willing to make. Community engagement should inform the preparation of strategic and statutory plans for an infill area. The process should identify the development the community is willing to accept (in terms of density, appearance and impacts). Gaining such a mandate from the local community would be necessary to underpin the implementation of the aforementioned code development for multi-unit development.

When should it be used?

Mechanisms and levers to simplify planning processes and build certainty of outcomes should be applied in all planning jurisdictions with a strong emphasis on urban renewal precincts where change is to be encouraged.

Is it applicable to local or state government?

These levers must apply across both state and local government authorities including urban renewal authorities.

What are the benefits and challenges of using it?

Benefits relate to more efficient decision making times, better quality built-form outcomes, supportive communities and higher levels of private investment within the precinct. Challenges can relate to misconceptions regarding probity, risk and inequity if urban renewal precincts benefit from processes that are better than areas competing for investment in Greater Hobart.

What are the legislative and governance implications?

The legislative implications vary depending on the significance of the changes to be undertaken – that is, reaching from a potential rewrite of the *Land Use Planning and Approvals Act 1993* through to the preparation of clear precinct structure plans, design guidelines and development assessment processes. The most simplistic and cost-effective approach to simplifying planning processes and creating certainty does not, however, require legislative amendments or governance changes but rather the creation of an 'enabling culture' that works with developers and investors in the interests of achieving timely and quality outcomes.

Suitability for Hobart

Reform of the Tasmanian Planning System is a key priority of the Tasmanian government. This is being led with the development of regional land use strategies and new planning schemes for all planning authorities. The councils of Southern Tasmania released their Draft Interim Planning Schemes in mid-2013 for public comment using the common statewide planning scheme template, and with a high degree of regional consistency. In addition, the Tasmanian Planning Commission has

prepared statewide planning provisions for multiple dwellings for implementation through planning schemes. The project focused on development standards for the General Residential Zone only, to complement the release of Planning Directive No. 4 – Standards for Single Dwellings in Interim Planning Schemes. The Planning Directive (Planning Directive No. 4.1 – Standards for Residential Development in the General Residential Zone) came into effect on 28 February 2014 and replaces Planning Directive No. 4 – Standards for Single Dwellings in the General Residential Zone. The principal aim of the Planning Directive is to deliver consistency across the state for the assessment of single and multiple dwellings but does not currently address single or multiple dwellings in the Inner Residential Zone; however, the structure, format and content of the provisions of the directive have been replicated in the Regional Mandatory Provisions for the Southern Tasmanian Councils Interim Planning Schemes, with the actual standards modified to reflect the higher densities expected for that zone.

While these measures go some way to simplifying the planning process, further and more specific measures are required to facilitate the necessary increase in infill development, particularly in the context of the aims of the *Southern Tasmania Regional Land Use Strategy*. The strategy sets a 25-year infill development target, with the intent of achieving a 50:50 ratio of 'greenfield' to infill development. The Strategy recommends a minimum density target of 25 dwellings per hectare (gross net density) for infill development. As you would expect, the area around the Main Road Transit Corridor is identified as the primary focus for infill development.

A simplified planning process for infill development is discussed further in Section 6 ('Recommendations') of this report.

2.4 Infrastructure provision

2.4.1 Voluntary agreements

Voluntary agreements within a planning system can provide an opportunity for landowners, the government and other interested parties to negotiate the provision of infrastructure at the time a development is being conceived. Fundamentally, the agreement creates an obligation for an interested party to provide infrastructure and/or a monetary contribution to be paid. The agreement is strictly voluntary, as its title suggests, and can be entered into only if all parties agree to meet the obligations outlined within that agreement.

For example, the Victorian *Planning and Environment Act 1987* contains provision for voluntary agreements that can provide for:

- the costs and standard of infrastructure provision;
- the timing of the provision of infrastructure;
- the parties' obligation to provide the infrastructure;
- timing of payments towards infrastructure;
- the refund of cash contributions if infrastructure is not provided;
- the upfront provision of infrastructure by one landowner and the reimbursement of the cost by other landowners as they develop;
- works-in-kind in lieu of a cash contribution.

In addition to obtaining development contributions for infrastructure provision, the Act allows for voluntary agreements to be used for a range of matters including:

- regulating the use or development of the land;

- identifying conditions that the use or development of land must meet;
- advancing the objectives of planning in Victoria, planning schemes and planning scheme amendments.

Where has it been used?

Voluntary agreements have been used across an array of local and state government projects around Australia. Recent Victorian examples include the former Channel 9 Studios site located in Bendigo Street, Richmond. A voluntary agreement was entered into by the developers of the site (Lend Lease) with the City of Yarra to deliver a community centre as part of the redevelopment. In the case of the former TAFE site on Johnstone Street in Collingwood, a voluntary agreement was entered into for the provision of 1,000 m^2 of land for the provision of public open space.

A similar approach is employed within NSW, yet the term varies slightly as 'voluntary planning agreement' (VPA). It is defined by Section 93 (1) of the *Environmental Planning and Assessment Act 1979* (EP&A Act) as a voluntary agreement between one or more planning authorities and a developer under which the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards the provision of public infrastructure or another public purpose.

A public purpose is defined by Section 93F(2) of the EP&A Act to include 'the provision of, or the recoupment of the cost of providing public amenities and public services (as defined in s93c), affordable housing, transport or other infrastructure. It also includes the funding of recurrent expenditure relating to such things as the monitoring of the planning impacts of development and the conservation and enhancement of the natural environment.'

A VPA can be provided as either a cash contribution or works-in-kind. Similar to Victoria, a VPA in NSW can be considered in lieu of or in addition to a developer's contribution. In this way, the lever is regularly used in urban renewal precincts in Sydney including the Rhodes Peninsula development that secured contributions to community facilities through a VPA with developers. The developers received a bonus/inventive uplift in development capacity while Canada Bay Council (which is the planning Authority for the Rhodes Urban Renewal Precinct) received a 50% share in the value of the floorspace uplift. Another example is its use by Leichhardt Council, an inner city ring Council, to secure 50% of the value uplift when permitting the rezoning of a former industrial site to residential.

When should it be used?

Voluntary agreements should be negotiated:

- on a case-by-case basis;
- at the start of any process that seeks to change or revoke any planning instrument and submit an offer for a VA at the time of requesting any such change or development;
- to ensure they are relevant, yet not a determinative consideration for Council in assessing a proposal;
- to ensure they can be payable upon approval for rezoning or development consent;
- to ensure council's policies or functions are not fettered by the inclusion of a VA.

Is it applicable to local or state government?

This lever can be employed by both state and local government. It is, however, a very successful and available tool for local government, particularly when negotiating a rezoning from industrial lands to residential or mixed use.

What are the benefits and challenges of using it?

The benefits of the lever relate to its flexibility as a means for local and state government to secure capital through capturing part of the land value uplift resulting from a rezoning and passing the benefits onto the community. A key challenge in the application of VAs (and VPAs in NSW) is ensuring sufficient transparency and equity is maintained through the agreement's negotiation as well as a nexus with the development.

In this regard, a challenge relates to the establishment of an appropriate rate of contribution. Some councils (such as Leichhardt City Council in NSW) have a policy whereby a VA is paid as an appropriate standard charge taking into account the value of land in Leichhardt LGA and the cost of development. The advice was provided by Hill PDA in August 2008 concluding that a standard charge of $400/m^2 could be considered appropriate. The advice cautioned, however, that the rate was subject to market changes and site-specific considerations that reasonably influenced the viability of development. As an alternative option, the interim policy recommended that the charge be negotiated subject to a valuation of the likely increase in the market value of the land as a result of the proposed change.

As a result, in some cases an open book evaluation of the development may be required to agree a suitable rate that the development can bear creating another level of complexity in the planning process.

What are the legislative and governance implications?

Voluntary agreements are permitted under Part 5 of the *Land Use Planning and Approvals Act 1993*. This section of the Act provides a mechanism for formalising a voluntary agreement between the responsible authority, a landowner and other parties. Depending on the extent and nature of voluntary agreements sought by government, a change may be required to legislation to enable this lever to be used in Hobart's urban renewal precincts.

Suitability for Hobart

This lever has excellent potential; however, further analysis and legal opinion is required to determine the extent to which the existing provisions of Part 5 of the *Land Use Planning and Approvals Act 1993* can be applied for voluntary agreements.

2.4.2 Infrastructure consortiums

Infrastructure consortiums arise when a number of land owners agree to a sequencing of development that underwrites the funding and coordination of a level of infrastructure provision that would otherwise not be financially viable for a piecemeal development.

Where has it been used?

Urban renewal areas such as Rouse Hill (Sydney) and Victoria Park Green Square (Sydney).

When should it be used?

Where there are major land owners that can underwrite and agree to a sequencing of development. This agreement is, in turn, required to ensure that the payment of levies over time is able to pay down the external funding for infrastructure**.**

Is it applicable for local or state government?

This can be a private sector initiative but in most cases it has relied upon state government and urban renewal authorities to be a major landholder in the precinct so as to underwrite the project.

What are the benefits and challenges of using it?

The benefit of the approach is that it provides certainty for the provision of infrastructure upfront and sequenced to development as opposed to development on an ad-hoc basis. The challenge, however, relates to getting all the parties (key land owners) to the table to agree to the timing of development and most importantly delivering on development while guaranteeing the payment of their development levies when due. Another challenge relates to the need for a critical mass to underwrite the scale of the upfront expenditure required. This is therefore not a lever that is suitable for fragmented ownership or where redevelopment timing is uncertain.

What are the legislative and governance implications?

The provision of some infrastructure by the consortium has the potential to replace or duplicate existing or proposed infrastructure (utilities) by government authorities in the precinct. As a result, the effective operation and phasing of any such consortium must therefore collaborate with state government and utility providers and align with Hobart-wide infrastructure plans. There are also challenges associated with cost recovery and a duty of maintenance, which tends to make such ventures highly complex with many deeds, legal contracts and agreements required for the consortium to be established. As a result, set-up costs are notable and a sound governance framework is required.

Suitability for Hobart

This lever has more limited application in the Greater Hobart context given the rate and extent of infill development that is likely to occur in comparison with some of the mainland jurisdictions where it has been successfully applied. Nevertheless, it should be acknowledged as potentially suitable where specific circumstances arise, such as when multiple land owners are undertaking development in a specific locality.

2.5 Development finance and construction costs

There is no simple solution to increasing the availability of development finance or reducing construction costs. This is largely on account of banks being responsible for lending and the market setting the price of materials and labour. As such, initiatives available to government to remove barriers to infill development associated with development finance and construction costs are limited. However, it is important to note that many of the initiatives outlined in the sections above will assist developers in obtaining development finance, offsetting construction costs and improving development feasibility.

Specific initiatives that can help to address financing barriers include lowering regulatory fees for new infill development in designated areas and lobbying banks to relax their pre-sale requirements for infill development. Construction costs can also be lowered through innovative design, materials and construction methods applied by architects, developers and builders. State and local governments can help too by ensuring planning controls, codes and other forms of regulation are flexible enough to facilitate innovative developments and building methods.



3 Demand-side interventions

3.1 Population and economic growth

Population size and capability are key determinants to a region's economic and social performance, especially in a region such as southern Tasmania. Regions across the nation are in competition to retain and attract people who can make a strong and positive contribution to the wellbeing of their communities. Population growth will be achieved based on real increases in regional production and productivity and, as the population grows, so, too, does demand for housing.

However, the market for housing is not homogenous; settlement characteristics that some people find attractive might be rejected in favour of other characteristics by others. If the region is to be successful, it must be able to provide a mix of market offerings if it is to achieve a productive population size and profile. Arguably, the southern region of Tasmania does not have a housing profile that provides the diversity necessary to attract population. Combining realisation of economic growth opportunities with increased housing and settlement diversity will support growth and productivity improvement.

3.2 Demographic change

The population of Greater Hobart is forecast to grow by 30,000 people between 2011 and 2031, which represents an average annual growth rate of just 0.7% or 1,550 people[10]. While the projected population growth of the study area is important, future housing demand will have to respond to the wider demographic changes that are happening. The decrease in housing size is already well underway in Tasmania and the ageing process will continue this trend and also lead to an increased demand for smaller centrally located dwellings.

3.3 Price

The price of new infill developments and what people perceive to be value for money is a manifestation of many, if not all, of the other supply and demand-side interventions. Providing quality projects in desirable locations at competitive prices will help drive demand for infill development and increased demand will have a positive impact on people's perception of an appropriate price for infill development.

3.4 Convenience and lifestyle

3.4.1 Access to public transport

This intervention seeks to make effective and efficient use of development opportunities surrounding or on top of existing and proposed transport infrastructure. Existing public transport infrastructure is often situated in close proximity to urban renewal precincts. In addition, the construction of new public transport infrastructure often requires the acquisition of land above and adjacent to the project for the purpose of construction. In these cases, land surrounding the transport infrastructure may be required during construction but may become available for alternative uses and redevelopment only upon completion.

There are also instances (such as grade separations and below-grade stations) where residential and commercial development can be constructed to use the air rights above the transport infrastructure. The sale of development rights over land that is adjoining, or air rights above public transport infrastructure provides an opportunity to partially offset the construction cost of the infrastructure.

[10] AECgroup Greater Hobart Property Market Overview, Macquarie Point Railyards Final Report August 2012

The use and sale of development rights provides an opportunity to increase the density of redevelopment around transport infrastructure by enabling transit-orientated developments (TODs) to occur. TODs are generally understood to reduce private vehicle use by providing access to public transport services. The reduction in private vehicle use in turn provides the opportunity to offset increases in traffic congestion that may occur in an urban renewal precinct as densities increase.

Where has it been used?

The Melbourne Central commercial complex is considered to be a good example of a TOD as it combines commercial development above public transport infrastructure. The Box Hill Central shopping precinct is another good example of a suburban development that has been constructed above Box Hill Station. The shopping centre also incorporates a bus interchange on its roof and is located in close proximity to a key tram route.

In Dubai, the government is raising capital to fund a new rail line through the city by asking major developers, shopping centre operators and institutions to sponsor a monorail station. The premise being that these sponsors will benefit from the use of the station located near their development and hence should contribute to its cost. In return, the sponsors receive naming rights to the Station for their contribution. While it is unlikely that naming rights would be offered in a Tasmanian context, there may be opportunities to provide direct pedestrian connections from the nearby developments to the public transport infrastructure thereby improving access and amenity.

When should it be used?

Transport infrastructure should be leveraged in urban renewal locations that are located within close proximity to existing or proposed public transport (rail, tram and bus).

Is it applicable to local or state government?

In most scenarios the provision of infrastructure is led, managed and largely funded by state government. In some cases the funding is supported by federal grants, and in other cases, part funding may be provided by larger local councils (generally better-resourced inner city councils). For example, the City of Sydney is contributing $180 million of the $1.6 billion funds required to build a new light rail system in Sydney. The City of Sydney recognises that this investment will pay longer term dividends by providing greater opportunities for development above and surrounding the light rail stations while helping to reduce congestion in the city. The remaining share of the funding is to be provided by the NSW state government.

What are the benefits and challenges of using it?

Leveraging transport infrastructure provides the opportunity to increase transport mode share and encourage the public to use public transport options rather than private vehicles. The reduction in private vehicle use has a variety of benefits including the reduction in car parking spaces required, improved access and social equity, enhanced health outcomes and reductions in road congestion as well as private vehicle pollution and emissions.

The challenge when seeking to increase the use of public transport in a newly developed precinct is to ensure the infrastructure is available before residents and workers move into the area. By having the infrastructure in place and working efficiently, the public will become accustomed to using public transport in place of private vehicles. In the event that an urban renewal precinct is activated with inadequate access to public transport, the residents and workers will come to rely on private vehicles and will be less likely to change their transport mode preferences.

Another practical challenge of increasing densities around major transport nodes relates to the cost of construction and the relationship of development to emergency access routes. These factors can limit the extent or increase the cost of development above or surrounding transport infrastructure.

What are the legislative and governance implications?

State governments are typically responsible for funding and providing transport infrastructure, although in some cases the federal government also provides funding. The state government needs to ensure the process undertaken when allocating development rights is transparent to ensure that public and industry support is not eroded. There is also an important role for planning frameworks which enable TODs and seek to ensure appropriate land uses occur surrounding transport infrastructure.

Suitability for Hobart

The Tasmanian Government has developed the Tasmanian Urban Passenger Transport Framework to set a future direction for passenger transport in Tasmania's urban areas. It focuses on improving outcomes in the following areas:

- reduced greenhouse emissions
- liveable and accessible communities
- travel reliability
- healthy, active communities
- integrated transport and land use planning.

The vision underpinning the framework is to consolidate residential and commercial development around key corridors that carry high-quality public transport services to connect activity centres (such as shopping and employment areas) to the Hobart CBD.

The Main Road Corridor from Glenorchy to Hobart CBD (via Main Road, New Town Road and Elizabeth Street) is the subject of the first transit corridor plan.

This investigation on barriers and drivers to infill development is a direct result of the strategic work establishing the transit corridors.

The state government is also investigating the feasibility of operating light rail on the corridor between Hobart and Glenorchy and, if this initiative proceeds, there may be opportunities for the development of TODs around the light rail stops.

3.5 Amenity

State and local governments can encourage infill development by applying a focused public investment strategy to direct growth to target designated infill areas. Focused public investment programs require a commitment on the part of council and other infrastructure providers to fund improvements within urban renewal areas. Such programs can be challenging to implement where coordination is required across jurisdictions and agencies. This coordination is essential to ensure infill areas have the services and amenity needed to make them desirable places to live. Designating particular areas for infrastructure investment can also be a politically challenging process. Outlined below are some mechanisms by which improvements to designated infill areas can be funded.

3.5.1 Special rates schemes and levies

This form of intervention charges businesses and/or residents within a defined location a levy or rate over and above existing rates and taxes. The revenue generated by the special rates or levy then fund specific neighbourhood improvements and/or transport infrastructure upgrades. There are many terms for levies of this nature including benefitted area levies, betterment levies, special assessment districts, or value capture levies. The key aim of these levies is to recover some of the benefits that specific areas and businesses receive from neighbourhood improvements or transport upgrades. These levies involve the application of a special levy on properties and/or businesses within a specific area, the collected revenue is then applied to fund new public transport infrastructure or contribute to project costs. Levies of this type are widely accepted and utilised by local councils throughout

Australia. The levies can be implemented in a variety of forms including supplements on property rates or payroll taxes on business owners in the defined area. In order to be effective the levies require a clear correlation between the investment's benefit and an identifiable catchment of beneficiaries.

Where has it been used?

In a global context, one of the most recent and successful use of this style of levy has been London's Crossrail. Melbourne also has previous experience with the use of this type of levy in the form of the levy used to fund the Melbourne City Loop. In the case of the City Loop, the Victorian Government provided 50% of the project funds through a public transport ticket levy. The City of Melbourne provided 25% of the funds through a benefitted area levy, and the then Melbourne Metropolitan Board of Works provided 25% of the project funds. The City Loop levy commenced in 1963 and was lifted in 1995.

When should it be used?

This type of levy should be used for a specific event or project and is not appropriate if the costs are ongoing as they should be factored into the base property rates and charges.

Is it applicable to local or state government?

This levy can be levied at a state or local government level and in the case of the Melbourne City Loop was levied at both levels of government.

What are the benefits and challenges of using it?

The public needs to understand the clear benefits and project aims to ensure they can see the correlation between the levy and benefits to be delivered. Providing the public with clear parameters on the quantum of funds to be raised, duration of the levy and governance structure in place are all important when seeking to gain public approval and agreement for the levy. Other examples of special rate schemes and levies applied in activity centres are provided in Table 1.

What are the legislative and governance implications?

Local government and responsible authorities typically have their property rates and charges capped by the state government but this style of levy is for specific purposes and, with public support, can be charged over and above the standard rates and charges.[11]

Suitability for Hobart

Special rates schemes or levies are highly suitable in targeted infill locations in Hobart to part-fund public realm improvements that have a demonstrable benefit to those levied.

3.5.2 Infrastructure bonds

Infrastructure bonds are used to support the funding of specific infrastructure projects such as port-related development or the creation of a new rail line by government. In effect, the Commonwealth Government issues infrastructure bonds to investors to fund the infrastructure project.

Where has it been used?

For key infrastructure projects such as the Dampier to Bunbury Natural Gas Pipeline (a four-year bond issuing a total of $550 million) or the National Broadband Network (with the original intention to issue over $300 million in bonds).

[11] Moving Melbourne, 2012, Benefited Levy, http://www.melbourne.org.au/docs/moving-melbourne--a-transport-funding-and-financing-discussion-paper.pdf

Table 1 Examples of special rate schemes and levies in activity centres

Newcastle Business Improvement Associations[12]	The aim of business improvement associations is to optimise their character and commercial prosperity through a coordinated approach to economic development. To help achieve these aims, the City of Newcastle has facilitated the creation of Business Improvement Associations. At the commencement of the 2011–2012 financial year, Business Improvement Associations had been established for four commercial centres within the Newcastle local government area – Newcastle City Centre, Hamilton, Mayfield and Wallsend. Under this model, council collects a special benefit rate and, through a funding and service agreement with each commercial centre, council passes the levied funds from each commercial centre on to each association. Given council's role as the collector of the special benefit rate, it remains the overall manager of the operational framework for the local Business Improvement Associations network. It is anticipated that each Business Improvement Association will work closely with relevant council staff, to draw on relevant expertise and assist with an integrated approach to the overall economic development of Newcastle. *More Information – www.newcastle.nsw.gov.au*
Crows Nest Mainstreet[13]	The aim of the Crows Nest Mainstreet is to work with council to help local businesses, from public space improvements such as al fresco dining bays and parking upgrades to assisting with proposals for specific developments. The Crows Nest Mainstreet levy has been in place for 16 years. It is due to expire in June 2013. The Crows Nest Mainstreet program was one of the first of its kind in NSW and has been used as a model for similar mainstreet programs across the state. Over the past 16 years, levy funds have been used to transform the Crows Nest retail centre into a vibrant commercial precinct that attracts visitors both during business and after hours. The Crows Nest Mainstreet levy applies to 800 commercial properties in the Crows Nest retail area. Decisions about levy projects are made by the Crows Nest Streetscape Committee which includes representatives from council, the business and resident communities, and Crows Nest Mainstreet. *More Information – www.crowsnestnsw.com.au*
Double Bay Partnership Inc.[14]	The Double Bay Partnership Inc. (DBP) was established in 2002 as a public private partnership dedicated to turning Double Bay into a vibrant and attractive centre. The partnership brought together the resources of more than 600 businesses and Woollahra Council. Under the partnership, council matches funds raised dollar for dollar up to a maximum contribution of $200,000. To date the DBP has raised around $280,000 from members and received a $280,000 in kind from Council. Council has also invested $5 million on streetscape upgrade in the centre. The DBP is an Incorporated Association with an elected board that has authority over management activities. The key roles of the DBP are to implement the Double Bay Partnership Business Plan, create a sustainable, long-term funding model, and employ a professional centre manager to oversee the day-to-day implementation of all DBP activities. The DBP was formally registered with the NSW Department of Fair Trading in September 2008. Its operations are governed by a registered constitution. A management executive, known as the DBP Board, manages the day-to-day running of the organisation.

[12] The City of Newcastle 2012, www.newcastle.nsw.gov.au

[13] Crows Nest Mainstreet 2012, www.crowsnestnsw.com.au

[14] Double Bay Partnership Inc. 2012, www.doublebayonline.com

When should it be used?

For state and nationally significant infrastructure projects that require funding.

What are the benefits and challenges of using it?

Infrastructure bonds are attractive to investors as they provide both a mix of cash flow and certain tax and financial incentives. To the infrastructure provider they create certainty on investment at typically lower interest rates than other funding sources. The bonds are also payable over a longer period with the repayment of capital to match the investment cycle of the project.

The challenge is a political one – to argue the project in question (i.e. infrastructure provision within a specific urban renewal precinct or series of linked urban renewal areas) is in the nation's interest not just to the benefit of the local area. The cost of documentation and administration is also notable so that the lever is likely to only be viable and suitable for large venture projects such as rail and telecommunications.

What are the legislative and governance implications?

The tax benefits relate to Commonwealth tax breaks and accordingly the use of this lever must be in collaboration with, and approved by, Commonwealth Government.

Suitability for Hobart

This lever has some potential, but requires greater investigation to determine if and when it is suitable in a Hobart infill context.

3.6 Safety

The application of crime prevention through environmental design principles (CPTED) during the design of streetscapes and new infill developments can help to reduce opportunities for criminal behaviour. Crime can be reduced by increasing natural surveillance through appropriate landscaping, permeable barriers along pathways and avoiding blind corners in pathways, stairwells, hallways and car parks. Good lighting is also needed to deter criminals and make people feel safer. CCTV systems can also deter crime when they are appropriately positioned, monitored and advertised. Other CPTED principles include having clear transitions and boundaries between public and private space as well as implementing a range of anti-graffiti strategies.

Where has it been used?

CPTED principles have been implemented around the world since the 1970s. Australian examples include:

- Crime Prevention Through Environmental Design General Code (2011) – ACT
- Designing Out Crime Planning Guidelines (2006) – Western Australia
- Safer By Design Evaluation and a Companion to the Safer By Design Evaluation (2001) – NSW
- Crime Prevention through Environmental Design guidelines for Queensland (2007) – Queensland

When should it be used?

Consent authorities and police should use CPTED guidelines to ensure that proposed development (both private and public) provides safety and security to users and the community. The guidelines should identify the types of development that could present crime risks and provide guidance to architects, engineers, planners and developers on mitigating the risks during the design stage.

What are the benefits and challenges of using it?

Communities around the world have achieved impressive results through the application of CPTED principles which reduce the opportunity for crime. The application of CPTED sends a powerful signal that the local community is watching and taking care of their neighbourhood. However, care needs to be taken so as not to make design requirements so onerous that they add excessive costs to developments and erode feasibility.

Suitability for Hobart

The CPTED guidelines are already used to varying degrees in different Tasmanian municipalities. They are highly suitable for use within infill development in Hobart.

3.7 Design

3.7.1 Design guidelines

Good design is essential if infill development is to be more broadly accepted by the community as a desirable and attractive form of housing to live in and next to.

Where has it been used?

State and local governments around the world have prepared design guidelines for infill development. Some good examples are:

- City of Melbourne – Discussion paper identifying issues and options for housing our community, 2013
- City of Sydney – Development Control Plan 2012
- City of Adelaide – Adelaide Development Plan 2013
- New South Wales – Design policy and guidance in SEPP 65 and the residential flat design code
- London – Design policy and guidance in the London Plan 2011
- United Kingdom – Building for Life 12, Design Council CABE
- United Kingdom – Lifetime Homes Standard.

When should it be used?

Design guidelines should be jointly developed by state and local governments during the strategic planning stage and applied to all infill developments within a designated area.

What are the benefits and challenges of using it?

A well-designed infill development will consider its surroundings and add value to them. It will also offer those who live in the development a high level of internal amenity. Creating design guidelines for infill areas is essential to achieving these outcomes. Once again, design requirements should not be so onerous that they add excessive costs to developments and erode feasibility.

Suitability for Hobart

There are already a number of design guidelines available and used to varying degrees. These include the Healthy by Design Guidelines prepared by the Heart Foundation and, more recently, the Residential Development Strategy 2013 and the associated Liveability Development Principles.

The additional challenges associated with facilitating increased infill development in Hobart will require specific design guidelines (albeit largely based on these existing guidelines) to be developed and where possible enshrined with a statutory instrument to provide the community with a clear indication of what is being proposed.

3.8 Summary

Table 2 provides a summary of each infill lever, their suitability for Hobart, and timeframe to implement.

Table 2 Assessment matrix of infill levers

	Lever for local government	Lever for state government	Suitable at precinct level	Suitable for individual site	Suitability for Hobart	Timeframe to implement
SUPPLY-SIDE LEVERS						
Site identification and assembly						
Site amalgamation	Y	Y	Y		Highly suitable, immediate operation	Immediate < 2 years
Facilitation of government land	Y	Y	Y	Y	Excellent potential, but needs more detailed analysis	Short-medium term 2–6 years
Development feasibility						
Bonus floorspace	Y	Y	Y	Y	Excellent potential, but needs more detailed analysis	Short-medium term 2–6 years
Reduced car parking requirements	Y	Y	Y		Highly suitable, immediate operation	Immediate < 2 years
Tax incentives and grants		Y	Y		Some potential, but needs greater investigation	Short-medium term 2–6 years
Heritage floorspace trading	Y	Y		Y	Likely limited potential – would needs greater investigation	Short-medium term 2–6 years
Planning and development assessment						
Simplified planning process	Y	Y	Y	Y	Excellent potential, but needs more detailed analysis	Short-medium term 2–6 years
Infrastructure provision						
Voluntary agreements	Y	Y		Y	Excellent potential, but needs more detailed analysis	Short-medium term 2–6 years
Infrastructure consortiums		Y	Y		Some potential, but needs greater investigation	Short-medium term 2–6 years

	Lever for local government	Lever for state government	Suitable at precinct level	Suitable for individual site	Suitability for Hobart	Timeframe to implement
DEMAND-SIDE LEVERS						
Convenience and lifestyle						
Improved public transport		Y	Y		Highly suitable, immediate operation	Immediate < 2 years
Amenity						
Special rates schemes and levies	Y	Y	Y		Highly suitable, immediate operation	Immediate < 2 years
Infrastructure bonds			Y		Some potential, but needs greater investigation	Short-medium term 2–6 years
Safety						
Implementation of CPTED principles	Y	Y	Y		Highly suitable, immediate operation	Immediate < 2 years
Design						
Design guidelines	Y	Y	Y		Highly suitable, immediate operation	Immediate < 2 years

Metropolitan Redevelopment Authority

Urban Growth NSW

Queensland Government

NSW Barangaroo Delivery Authority

4 Urban renewal governance

A broad array of authorities and organisations with an urban renewal mandate are operating (or were until recently) across Australia. These authorities vary with respect to their governance and legislative arrangements, geographic focus as well as remit. In order to inform this study, we have reviewed and compared in greater detail four of the larger urban renewal authorities currently operating across Australia, having particular regard to their:

1. objectives
2. governance arrangements
3. legislative capabilities
4. funding arrangements
5. outcomes and deliverables.

Section 4.1 provides a summary profile of the five components listed above for each of the four organisations.

Section 4.2 then provides a more detailed discussion around the commonalities and differences between the organisations consistent with the five headings above. This discussion draws out some of the factors common to their success that may be adopted in the Tasmanian context. This analysis and commentary has been informed by our research of each of these organisations and complemented by our industry experience as independent reviewers and strategic advisers for a number of the organisations discussed.

Section 4.3 concludes with a diagrammatic summary of many of the urban renewal organisations presently (and in some cases previously) operating across Australia and their varying levels of legislative powers to development capabilities.

4.1 Summary profile of urban renewal authorities

4.1.1 UrbanGrowth NSW

UrbanGrowth is a new organisation in NSW that commenced operation on 1 January 2013. It was created as a merger between the Sydney Metropolitan Delivery Authority (SMDA) and Landcom, with the new organisation touted by the NSW Planning and Infrastructure Minister Brad Hazzard as 'Landcom on steroids'.[15] The organisation was largely established to encourage new housing projects in direct response to Sydney's lowest historic rates of housing construction.

By way of background, the SMDA was established in December 2010[16] under the NSW Labour Government as an urban renewal authority. The SMDA therefore had a strong government mandate for change and was recognised within the Sydney Metropolitan Plan as a delivery arm of government. Largely owing to the changing political climate at the time of the SMDA's creation, it was not accompanied by its own bespoke Act and thereby powers. Rather the SMDA was given effect under the *Growth Centres Development Corporations (GCDC) Act 1974*. This led to a number of benefits and challenges with the organisation's operation, including the Authority's ability to purchase land, yet a lack of planning powers or effective funding to purchase and develop.

The SMDA was charged with taking over the roles and responsibilities of the Redfern Waterloo Authority, which had been successful in securing social change and affordable housing in the suburbs of the same name. Under the *GCDC Act 1974*, the Granville area was also nominated as an urban renewal area. Over the two years of its operation, the SMDA continued to progress the work within Redfern Waterloo.

[15] Sydney Morning Herald, New development body will have power to buy up land from hold-outs, 14 June 2012.

[16] UrbanGrowth NSW Development Corporation, 2013, SMDA transition to UGDC, http://www.smda.nsw.gov.au/smda-transition-ugdc.

However, in the case of its second urban renewal area, Granville, it was found that the land economics of development did not 'stack up' (i.e. facilitate financially viable development) in many locations. This challenge, coupled with a lack of balance sheet for the purchase or development of land to catalyse change, resulted in some notable challenges for the organisation in this precinct and the broader rhetoric that the Authority had not been successful in achieving substantial change.

In comparison, Landcom was a 'State Owned Corporation' (SOC) rather than an Authority that had been in operation for over 20 years [17] since its restructure away from the Housing Commission in 1993[18]. This allowed Landcom to keep its assets off the State Government's balance sheet but it created challenges with respect to its perception as a 'developer' and thereby perceived lack of a government mandate. This was particularly problematic for developments that required the integration of State Government agencies. Notwithstanding this, Landcom was self-funding and generated sufficient profit to provide the NSW Government with a $30–$60 million dividend per annum.

In recent years, with the downturn of the economy and challenges relating to securing finance for private developments, Landcom has become the largest residential developer in NSW, turning over half a billion dollars in sales per annum. Despite this, and on account of the undersupply of housing in NSW, the NSW State Plan gave Landcom a mandate to deliver 10,000 new residential lots over the next four years. Much of this will be achieved within greenfield locations in Sydney as opposed to Landcom's urban renewal projects such as Green Square, Sydney.



Source: Landcom

Figure 2

Images of Landcom development – Victoria Park, Zetland (Green Square)

[17] Landcom 2013, Landcom – A Brief History, http://www.landcom.com.au/about-us/overview/history.aspx.

[18] ibid.

The merger of the two organisations by the NSW Liberal Government in 2013 has resulted in a name change and a mandate to advise the State Government on ‘urban development issues’ including market failures and means of addressing them. In doing this, the development corporation is required to work closely with local government and communities to achieve ‘urban renewal outcomes’. The Managing Director of Landcom has been appointed as the CEO of UrbanGrowth and the SMDA has been in all but name disbanded. The SMDA’s largely government board was also disbanded in favour of the ‘skills based’ industry board that governed Landcom.

The new organisation will have a greater focus on urban renewal, helping to address market failures by bringing land together and selling it ‘wholesale’ to private developers. To enable this to happen, the new organisation has been formed under the *GCDC Act 1974* which provides powers to acquire land under compulsory acquisition. This power is likely to become beneficial in areas where there are high levels of site fragmentation and/or a small number of ‘hold outs’ are compromising opportunities for the 10,000 lots to be achieved (for example the ‘paper subdivisions’ in Riverstone). Under the same Act, the minister can nominate an area as an urban renewal area. It is understood that as an SOC, UrbanGrowth will continue to provide government with a dividend.

4.1.2 Economic Development Queensland

Economic Development Queensland was established on 1 February 2013, drawing together the Urban Land Development Authority (ULDA) and the powers and functions administered by the newly created Minister for Economic Development, Queensland (MEDQ). The MEDQ was established under the *Queensland Economic Development Act 2012* with the role currently undertaken by the Deputy Premier of QLD and Minister for State Development, Infrastructure and Planning.

The new approach seeks to ‘wind back’ the powers of the ULDA which was an organisation established under the Labour Government in November 2007[19]. The ULDA had extensive planning powers (its own plan making and development approval powers) as well as the ability to acquire land by way of compulsory acquisition. The new organisation retains these planning powers and is able to undertake development assessment within provisional or priority development areas (PPDAs or PDAs) unless those assessment functions have been delegated to the relevant local government authority.[20] In keeping with the approach taken by the ULDA, EDQ can operate only in areas declared by the Minister (i.e. PDAs).

The new organisation is led by Chris Mills (former CFO of the ULDA) and governed by the Director General of State Development, Infrastructure and Planning (the Chair), the Director General of the Department of Premier and Cabinet and the Under-Treasurer[21]. This represents a notably different Board to the predominantly private industry ‘skills-based’ board of the former ULDA.

EDQ has a strong mandate to ‘respond to a gap in the market’ and ‘drive economic development’ representing a notably different remit to the ULDA which was largely initiated around the need to enhance housing supply and housing affordability in inner city, greenfield and resource towns across Queensland. EDQ has a remit to develop ‘complex large sites’ with a specific reference to special purpose events such as the Commonwealth Games Village.

The new organisation also has a strong remit to work with local government through joint ventures and by ‘giving local government greater decision making powers’.[22]

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[19] Urban Land Development Authority 2010, Submission to National Resource Sector Employment Taskforce.

[20] Queensland Government, Department of State Development and Infrastructure 2013, http://www.dlg.qld.gov.au/frequently-asked-questions/economic-development-queensland/frequently-asked-questions.html.

[21] Queensland Government – Department of State Development & Infrastructure, 2013, The board, http://www.dsdip.qld.gov.au/the-board/economic-development-queensland/the-board.html.

[22] Queensland Government, Department of State Development, Infrastructure and Planning 2013.

EDQ will be a self-funded commercialised business unit. Sources of revenue may include planning assessment fees, special rates and charges, loans, government funding, revenue from the sale or development of land in addition to other investments made by the organisation.

4.1.3 Metropolitan Development Authority WA

The Metropolitan Development Authority (MDA) was established in 2011 to collectively take responsibility for, to control and to review the projects formerly undertaken by:

- The East Perth Redevelopment Authority
- Subiaco Redevelopment Authority
- Midlands Redevelopment Authority
- Armadale Redevelopment Authority
- The Elizabeth Quay Project.

The Western Australian Planning Minister, John Day stated that 'the establishment of the authority is an opportunity to build on and continue the success of the redevelopment authority model within Perth'.[23] Furthermore, it is expected that the amalgamated authority will result in long-term efficiencies, greater flexibility and remove the duplication of functions.[24]

The new organisation will continue the work of the former redevelopment authorities and revitalise large areas in and around East Perth, Subiaco, Midland and Armadale. The Authority is currently responsible for ten urban renewal projects. These projects range from creating new precincts such as Elizabeth Quay, public spaces such as the Perth Cultural Centre, and transport-focused projects such as Perth City Link. Each of these redevelopment areas has retained its own Land Redevelopment Committee that facilitates local community and local governments to remain involved and connected to development occurring in their respective areas.

The MDA was established with a broad remit around good quality development. Of note, its objectives have a strong focus on social factors including improved connectivity, social inclusion and opportunities for visitors and residents to socialise.[25] The Authority also has a strong environmental remit with objectives to encourage ecologically sustainable design, resource efficiency, recycling, renewable energy and the protection of ecology.[26]

In accordance with the *Metropolitan Development Authority Act 2011*, the MDA has the power to acquire and rehabilitate land. The Authority's Planning division (MDA Planning) is responsible for enabling the revitalisation of land within each project area of the four redevelopment areas. To achieve this, the Authority is to prepare a strategic and statutory framework to guide planning for sustainable, vibrant and high-quality built environments. MDA planning is also responsible for managing development within each of the four project areas by assessing development applications and implementing redevelopment schemes, design guidelines and planning policies.[27] It is governed by a CEO, skills-based board and has 69 staff.

[23] UrbanAnalyst 2011, Board announced for Perth's Metropolitan Redevelopment Authority, http://www.urbanalyst.com/in-the-news/western-australia/888-board-announced-for-perths-metropolitan-redevelopment-authority.html

[24] ibid.

[25] Metropolitan Redevelopment Authority, Annual Report 2011–2012

[26] ibid.

[27] Metropolitan Development Authority 2013, Planning, http://www.mra.wa.gov.au/Planning/

4.1.4 Barangaroo Delivery Authority NSW

The Barangaroo Delivery Authority (BDA) differs from the three prior authorities and corporations discussed in this section in that it was established for the purposes of one urban renewal precinct only.[28] The BDA commenced under the *BDA Act in 2009* and relates to the area known as Barangaroo within Sydney that will create an extension to the west of Sydney's CBD. The development includes a new $6 billion financial services commercial precinct, residential, retail, leisure and cultural facilities as well as a new public park on the precinct's headland. Upon completion it is anticipated that the development will be frequented by over 10,000 people per day.

The BDA has a broad remit with a strong focus on economic development and cultural benefits. It seeks to make the development a proud addition to Sydney, acclaimed globally for its innovative and inspiring architecture, public spaces and iconic cultural attractions.[29] The Authority is also required to undertake the delivery of the area's infrastructure and liaise with state government agencies as required.

The BDA recognises the key role the City of Sydney Council will play in the development and, accordingly, includes one of its members on it Board. The Board also consists of the BDA's CEO and no more than five persons appointed by the Minister. In 2011–2012, the Authority employed five senior executives and 20 members of staff. The Board and the Authority have also appointed the Audit and Risk Management Committee which includes one Chair and four committee members. The committee's responsibilities include risk management, control framework, external accountability, compliance with applicable laws and regulations, and internal and external audits.

The organisation has been funded in advance by NSW Treasury and manages Barangaroo which is a government asset. The BDA has also entered into an agreement with Lend Lease, as the sole developer of the commercial components of the precinct. The agreement guarantees a minimum land value and a profit split following development. As part of the arrangement, Lend Lease will fund up-front infrastructure.

In May 2005 the NSW Government launched an international urban design competition to source ideas and concepts to guide the transformation of Barangaroo. The design competition was a two-stage process. Stage 1 was open to all qualified architects, landscape architects, planners and urban designers (137 entries were received). In August 2005, the Competition Jury selected five finalists to participate in a Stage 2 design competition. In March 2006 the Competition Jury announced the winning design by Hill Thalis Architecture + Urban Projects, Paul Berkemeier Architects, Jane Irwin Landscape Architecture and Hill PDA Land Economists and Planners.

In April 2008 development and financing groups were invited to bid for the development rights of Barangaroo South. In September 2008, three development groups were shortlisted. These groups were then invited to submit comprehensive proposals for Barangaroo South. The final proposals were lodged in November 2009. In December 2009, the government announced that Lend Lease had been selected to develop Barangaroo South.[30] This joint venture agreement involves Lend Lease funding the provision of infrastructure for the site, the BDA providing the government land and a profit share being shared between both parties on completion of development.

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[28] Notwithstanding this, the BDA's legislation states that the organisation is not limited to exercising its functions on, or in relation to, land at Barangaroo. However, in this case express permission is required from the Minister.

[29] Barangaroo Development Authority 2012 Annual Report.

[30] Barangaroo 2013, Redevelopment, design competition and bid process, http://www.barangaroo.com/discover-barangaroo/history/redevelopment.aspx.

4.2 Common success factors for urban renewal organisations

Building on the summary provided above and complemented by our experience of working with various local and state governments (i.e. ULDA, SMDA, UrbanGrowth, Landcom, SOPA, SHFA, LDA, Kingston Foreshore and Western Sydney Parklands Trust) we have identified the following matters as common factors and considerations for urban renewal authorities. The majority of these factors are focused around the larger state government organisations although, where appropriate, we have also included a discussion of the success factors and challenges of local government in the urban renewal space.

4.2.1 Objectives

The remit of urban renewal organisations vary from having a strong economic and housing focus (i.e. EDQ and UrbanGrowth NSW) to a greater focus on place-making and social objectives (i.e. MRA, the former SMDA, and to some extent the BDA). In all cases it is increasingly important that the organisations are seen as enablers – organisations that enter the market where there is failure and create opportunities for the private market to efficiently and effectively deliver a range of products. Alternatively these organisations are being justified where there is 'a gap in the market' and there is a social need (such as affordable housing or housing choice) that is not being addressed by the private market.

This approach has become increasingly apparent since the downturn in the economic climate as the development industry has faltered and it is not considered desirable for a government-led organisation to be unfairly competing with private industry.

In response, we have seen a strong shift away from development by government in greenfield areas (generally more profitable and less constrained development areas) towards a focus on challenging inner city areas that have higher levels of lot amalgamation, contamination (as many are former industrial sites), infrastructure that is nearing capacity or the end of its economic life, and social inequalities. This role is best exemplified by UrbanGrowth's objectives to 'address market or regulatory barriers by acquiring, amalgamating and subdividing land, providing enabling infrastructure, carrying out works, to create development – ready sites and as a catalyst to development'.

Despite this strong mandate, the last objective listed for UrbanGrowth is also noted. In effect it acts as a 'catch-all' objective i.e. to 'Conduct any business or provide any service (whether or not related to its principal functions) that it considers will further its objectives'. A review of the remit and objectives of a number of these organisations finds that there are a number of 'catch-alls', such as the BDA's ability to operate outside Barangaroo in the case that the Minister directs it to. These broader reaching objectives enable adaptation by the organisation over time in response to changing political and economic climates or priorities.

A critical factor for the success of many urban renewal organisations is to be successful from the outset with some quick wins to demonstrate their value. This is because it is important to be seen to be effective to justify governments' investment in them (this was an apparent challenge for the SMDA) and to ensure there is sufficient capital made available to reinvest within the organisation to achieve, or at least work towards, the ultimate goal of being a self-funding organisation (i.e. UrbanGrowth).

4.2.2 Governance, people and partnerships

All of the four organisations discussed in this section, and the vast majority of other urban renewal organisations across Australia, are responsible to, and under the direct control of at least one minister. In UrbanGrowth's case, the organisation is governed by three ministers (Planning and Infrastructure, Finance and Treasury). Despite this, each organisation has varying degrees of a government mandate and access to ministers.

Our review of organisations, and prior interviews with their CEOs, identified the significant importance of both of these aspects. In fact a letter from the appropriate minister or premier of the state to government agencies explaining the mandate of the urban renewal organisation can be used as a simple tool to unlock doors for the array of matters influencing their respective precincts (i.e. infrastructure provision, housing, etc.). In the case of the ULDA, the mandate to prepare and have cabinet approve an Interim Land Use Plan within 12 months of a precinct's nomination was considered highly beneficial in urging related government agencies to work with them in a prompt and efficient manner.

This mandate can work well for state government organisations, but can become far more challenging for urban renewal at the local government level. Our research and interviews with local government have identified time and time again that the challenges of urban renewal at this level relate largely to the inability or inefficiency involved in coordinating the necessary government agencies. In Queensland's case, this challenge may have in part been addressed through the creation of a single concurrence agency for referrals. While this may assist local government in the case of referrals in Queensland, it does not necessarily bring the agencies to the table in a meaningful way during a project's conceptual phases.

Research and interviews with senior executives of renewal authorities have identified the importance of a commercially minded, skills-based board and senior staff with practical commercial experience. In most cases a skills-based board comprising industry as well as senior government executives was considered preferable to one made up entirely of senior government officials. We note, however, the recent changes made by EDQ away from the former ULDA's industry board.

There were also notable benefits in keeping organisations smaller (i.e. ideally under 100 people) so as to avoid the challenges of a larger organisation, such as communication and red tape. Interviews with industry stakeholders in the review of one urban renewal authority identified the benefits of a smaller organisation being 'consistency of whom you are dealing with' and direct responses/prompt action. Accordingly, noticeable concern was raised when the same organisation began to rapidly expand in headcount.

An ongoing commitment and collaboration with state government organisations responsible for matters such as planning, transport, finance and other utilities is also critical to facilitating efficient and successful growth within precincts. Furthermore the importance of a sound working relationship and collaboration between an urban renewal organisation and the local council for the precinct cannot be underestimated. This plays a key role in engendering support for the development as well as continuity once the urban renewal organisation completes the projects and the powers or responsibility for the precinct are regained by the local council. Our research has found that the greatest successes are achieved where the urban renewal organisation involves the local council from the earliest stages (certainly prior to the public announcement of the urban renewal precinct). There is also notable success and goodwill generated when an urban renewal organisation, which has highly experienced and skilled staff, works with a local council to share knowledge and experiences.

There is also an apparent shift change in the culture of governments across Australia, and in fact across many planning jurisdictions, to engage more with local communities during the strategic planning phase. This movement has been referred to in the UK as the 'localism agenda' which seeks to give powers and the sense of ownership back to local councils and communities. This shift can be seen in the remit of organisations such as the MRA that seeks to enable a greater level of community and local involvement.[31]

4.2.3 Legislation

The legislative basis of each of the state-based organisations we have reviewed varies notably. However, consistently across each there is an Act that has been prepared specifically for their purposes. The powers provided to the organisation, however, differ between each, with the four key areas described below.

- **ABILITY TO COMPULSORILY ACQUIRE LAND** – This is a legislative power that may be considered desirable in locations where there is a high level of site fragmentation or where a few properties are 'holding out' from selling, thus thwarting the ability to implement a major project for the benefit of the public. While in principle the power of compulsory acquisition is considered desirable, in practice our research has identified mixed opinions, and that it is rarely used. Rather the ability or ultimately the threat of compulsory acquisition is seen as a significant enough stick. For organisations that do not have the ability to acquire land using compulsory acquisition it is important that they are affiliated with a government organisation that does (i.e. the Department of Planning in the same state).
- **PLANNING POWERS –** The ability to strategically plan and/or approve developments is a strong means of creating certainty and clarity of intent within an urban renewal precinct. Challenges can arise, however, where the same organisation has the ability to prepare their own plan, approve their own development and subsequently develop. This may be seen as an inequitable advantage and, in some instances where this is enshrined in legislation, it has been described as 'the God Act'. Accordingly, many urban renewal authorities i.e. UrbanGrowth are designed as the delivery vehicles for the plans prepared by state government planning authorities (i.e. through the NSW Urban Renewal State Environmental Planning Policy). Other organisations such as the SMDA were established as organisations that coordinated and resourced strategic planning within urban renewal precincts but were not part of the actual development delivery process.
- **PRECINCT IDENTIFICATION –** The geographic extent of operation for an urban renewal authority and how a precinct is nominated is another important legislative matter. In most cases, urban renewal areas are nominated by the minister or their associated department. This is most frequently justified as being in the public interest. It is also frequently justified on the basis of the need to intervene in the market where there is some form of gap or failure so as to support the broader economy or to meet the needs of the community.
- **COMMUNITY ENGAGEMENT –** As referenced above, an increasingly important legislative matter is the need to engage with local communities and stakeholders during the planning and development process in the precinct. This is a requirement of the MRA as well as a legislated requirement of the EDQ (unlike its predecessor the ULDA).

[31] Metropolitan Redevelopment Authority, Annual Report 2011–2012.

4.2.4 Funding models

All urban renewal authorities ultimately seek to be self-funding. This can be a considerable challenge in the initial years of establishment prior to development revenues being realised. Accordingly, the majority of such organisations must either be initiated with funding (i.e. the SMDA, ULDA), have government land (i.e. local government or Landcom) or have the ability to borrow against land (i.e. Kingston Foreshore Authority or MRA). In most cases, government land with some start-up capital is provided. From this basis, most organisations are required to develop, and make a sufficient level of profit for reinvestment, to create a self-funding model (i.e. Landcom or ULDA).

This model is becoming increasingly challenging for state government organisations, but there are sensitivities in a slow market, with government being seen as competitor with the development market or a 'retailer'. This means that where the government is seen to make a profit for reinvestment, it may have taken a viable opportunity away from a private organisation. We are consequently seeing a shift whereby government organisations are 'permitted' to enter the market where there is a failure (i.e. where development is not viable or where there is a high level of lot fragmentation). This is also influencing the function of organisations with respect to urban renewal, creating a greater role for them in more challenging inner city areas as opposed to more profitable greenfield areas.

For local government, the creation of a perpetuating self-funding model is also a challenge owing to the limited scope and number of sites available for development and the perception of being a developer within the local community they govern. For some state organisations such as the Sydney Harbour Foreshore Authority (SHFA) the challenge is somewhat different in that they are not able to retain revenue from the sale of a site, but are able to retain ongoing revenue. Accordingly, this has an influence to their operating model with an incentive to develop and hold.

The provision of infrastructure is also a mounting challenge for both local and state government urban renewal authorities with a variety of funding mechanisms being considered (such as betterment tax) to address the challenges. In many cases (i.e. urban activation precincts in NSW or sites along the Melbourne Metro transport route in Melbourne) urban renewal sites are being selected based on their existing infrastructure (i.e. rail stations) and their capacity to be better utilised.

The provision of affordable housing is another common factor in the models of many urban renewal authorities, with the BDA required to provide 10% of all residential housing as affordable. The ULDA had an interesting approach to funding the provision of affordable housing through the use of Competitive Neutrality Funds. In essence, this was funding that was put aside by the government to ensure that it did not take advantage of more favourable finance charges, interest rates and tax regimes than the private sector. In essence the reservation of these funds formed the basis of a competitive neutrality payment that was charged to ULDA projects to ensure a level playing field. These funds were in turn used to fund the provision of affordable housing. This translated into the provision of $3 million towards subsidised rental housing in three local government areas (four dwellings in Moranbah; four dwellings in Blackwater and five dwellings Roma) over a 3–4 year period.

4.2.5 Deliverables

As noted above, it is important for urban renewal organisations to be seen to be effective and thereby to deliver successful outcomes early on so as to ensure their value to government and retention. However, there is a balance that must be played for the larger organisations to ensure that they are not perceived to be taking opportunities away from the market. Even one of the arguably most successful and longest standing urban renewal authorities, Landcom, has had to address this challenge recently, making a distinct case for becoming a wholesaler organisation focusing on urban

renewal and projects that facilitate the housing market rather than being a greenfield developer or 'retailer' in their own right.

Associated with this shift change is the need to ensure they are seen to be innovators. In this regard it is an important justification for the organisations to be seen as investors in new ideas and approaches in the development industry or new practices in social change with the lessons learnt being passed on freely to industry to benefit from. In turn the positive new methods and approaches adopted and delivered by industry can benefit the broader community. Examples of some positive innovations include 'fonzy flats' by Landcom, small lot housing and design guidelines in Queensland by the ULDA, and social change and investment in Redfern Waterloo by the SMDA.

As noted above, there is also a distinct trend towards these organisations being socially and environmentally responsible. In the case of the SMDA, the organisation became an innovator in the concept of 'socially inclusive urban renewal' leading the way with the preparation of guidelines for achieving urban renewal without moving the existing disadvantaged community out of the area. The SMDA established 'communities of practice' to share with other practitioners the Authority's thought leadership and experience in this area.

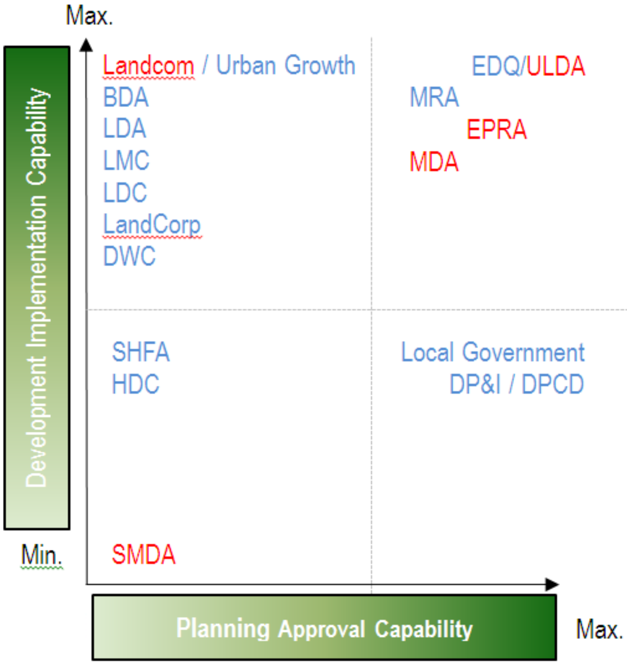
4.3 Summary of planning versus development capability

The following diagram has been prepared to profile various urban renewal authorities and delivery vehicles that are presently operating in Australia (those coloured in blue) as well as some that have now been superseded by new organisations discussed in this Section (those coloured in red). In essence the diagram compares the planning approval capacity of various organisations to their development capability.

The diagram shows in the top right quadrant, that states such as Queensland (i.e. EDQ and formerly the ULDA) as well as Western Australia (i.e. MRA and formerly EPRA, MDA, etc.) have urban renewal authorities with a strong government mandate to intervene in the market where appropriate. These organisations combine their own strategic planning and development assessment powers with a high level of development capability and funding.

The former SMDA in NSW was a polar opposite organisation to those in the top right quadrant. Located in the bottom left quadrant of the diagram it had no planning approval powers or development capability (yet it did have the power to compulsorily acquire). It was established as an organisation to work with local and state government in a coordinating and enabling role. On 1 January 2013, the SMDA was amalgamated with UrbanGrowth NSW to boost the legislative powers of Landcom while giving the SMDA greater capability to deliver outcomes.

In the top left quadrant there are a range of delivery organisations as well as place-making and management organisations, while the bottom right quadrant comprises state government planning authorities that have strong plan-making and approval powers, yet rarely enter the delivery space. Alternatively, local government has a reduced level of planning approval powers when compared to state government but, in some cases, is active in delivering small-scale urban renewal developments.



Key:

BDA	Barangaroo Development Authority	NSW
EPRA	East Perth Redevelopment Authority	WA
DWC	Darwin Waterfront Corporation	NT
EDQ	Economic Development Queensland	QLD
HDC	Hunter Development Corporation	NSW
LDC	Land Development Corporation	NT
LMC	Land Management Corporation	SA
LDA	Land Development Agency	ACT
MDA	Midlands Development Authority	WA
MRA	Metropolitan Redevelopment Authority	WA
SMDA	Sydney Metropolitan Development Authority	NSW
SOPA	Sydney Olympic Park Authority	NSW
SHFA	Sydney Harbour Foreshore Authority	NSW
ULDA	Urban land Development Agency	QLD

Figure 3

Comparison of planning vs. development capability of Australian urban renewal authorities



5 Principles and conditions for infill development

While effective urban renewal levers play a key role in enabling change to occur, they rely on a broader range of conditions as part of the bigger 'jigsaw puzzle of urban renewal'. This section therefore identifies and summarises the top ten conditions that collectively create a framework to support and enable urban renewal.

5.1 Condition 1: Suitable macroeconomic conditions

Owing to the extended timeframes of urban renewal processes, it is likely that an urban renewal area or precinct will encounter one, if not multiple inflection points in an economic cycle. These periods should be used effectively, with phases of economic downturn used for planning, design and approval processes so that an area is ready to 'take off' when market confidence and demand returns.

5.2 Condition 2: Suitable microeconomic and socio-economic conditions

Development within an urban renewal area must be financially viable for the market if it is to be successful. The feasibility of development at the site or precinct specific level is influenced by the broader economic conditions in addition to factors such as local socio-economic characteristics and environmental considerations (i.e. water views vs. contaminated sites). The form of development (i.e. small lot housing vs. high-density development) is also dependent on varying local economic features and market requirements.

It is important to understand what the market wants, what is trendy or desirable and what is needed. Areas should be selected in light of their opportunities for a 'quick win' or a catalytic change that in turn unlock opportunities for broader and sustainable social, environmental and economic improvements. For example, the concept of 'convergence' applied by local councils in East London to raise the standard of living of existing communities to the broader London standard following urban renewal and transition of the Olympic Games site.

5.3 Condition 3: Sequencing and phasing

Urban renewal areas in Hobart need to be planned so that they are appropriately sequenced in line with market need and broader population and socio-demographic change. If urban renewal areas are occurring concurrently they should not seek to compete with each other but have their own characteristics, selling points and markets. Within an urban renewal area, the phasing of development of varying types and uses must also be considered in line with market demand and take-up rates.

5.4 Condition 4: Asset identification and leverage

The ability to leverage off an existing asset such as land or a specialised industry cluster creates an important stimulus change. The availability of such an asset should be an early consideration and potentially a determining factor for identifying and defining an urban renewal area. Key considerations at this stage should relate to the strategic importance of the asset, its ownership, the duration of the asset's availability and its appeal.

Clever use of an asset (such as a council car park) and a partnership with an organisation can result in an ongoing return for government and a positive financial return for the private organisation as well as broader stimulus for change.

5.5 Condition 5: Infrastructure provision

Infrastructure provision is a pivotal factor in the success of urban renewal areas as well as a growing challenge – irrespective of whether the area is a brownfield location (i.e. with ageing infrastructure, infrastructure that is insufficient to meet growing populations or changing lifestyles) or a greenfield location (i.e. completely devoid of utilities or services). As a result, there is a growing move by governments to create certainty by integrating infrastructure provision with planning to increase funding opportunities, investigate means of partnership and to seek to maximise existing infrastructure opportunities.

5.6 Condition 6: Partnerships and financing

Opportunities to partner with the private sector, or to provide a framework of greater certainty to support investment, can improve opportunities for successful urban renewal. These opportunities may include Build Own Operate and Transfer (BOOT) schemes or Private Public Partnerships (PPPs) and may be kick-started by a government grant or other funding source. In turn, means to support private financing opportunities in this economic climate are particularly important to the success of precincts.

The characteristics of an urban renewal area create benefits and challenges, particularly in the case of older industrial areas with ageing infrastructure and redundant industrial sites. On the negative side, ageing and unsuitable infrastructure creates a significant cost, on the positive side a rezoning and subsequent value uplift can create an attractive incentive for private partnerships.

5.7 Condition 7: Creating certainty and continuity for the market

A successful urban renewal area must be clearly governed and funded to create a framework of certainty so that the market has sufficient confidence to invest. It must also provide sufficient certainty and efficiency in the planning stages, including clear structure plans and other frameworks to reduce holding costs and financial risks. This should also include certainty with respect to infrastructure provision and continuity across changing government and economic climates.

5.8 Condition 8: Cumulative assessment

As development occurs within an urban renewal area, and even across multiple areas in Hobart, consideration should be given to the broader social, economic and environmental impacts. For example, traffic generation, retail and service demand, take-up rates (Condition 2) and infrastructure capacity (Condition 5). Successful urban renewal also needs to be mindful of broader social impacts and means of supporting rather than segregating communities (i.e. the concept of convergence discussed under Condition 2).

5.9 Condition 9: Marketing and promotion

Successful urban renewal areas must be celebrated, advertised and 'sold' so that prospective occupiers 'buy in' to their lifestyle and economic appeal. They need a positive promotional campaign that identifies their positive attributes and appeals to their target markets.

5.10 Condition 10: Management and adaptation

A successful urban renewal area does not start and finish with its development. A successful area is one that changes and continues to adapt. To facilitate this, the organisation that governs and facilitates the urban renewal area in the first place should adapt or 'hand over' the area to a local council to ensure ongoing improvements and positive outcomes.



6 Recommendations

This section ties together each matter discussed in the preceding sections and responds to a number of key questions identified through the course of the study's research and its stakeholder engagement. This section has sought to answer these matters in a Hobart context and in a form that can feed into state and local government urban renewal policies.

6.1 Recommendation 1 – Designate priority area for renewal

- Designate the CBD to Glenorchy corridor (or part thereof) a priority area for urban infill or renewal. The actual boundary of this area would be determined by further analysis into land use, opportunities, constraints and feasibility. The Southern Regional Land Use Strategy identifies this corridor as the primary focus for infill development in Greater Hobart. It is further supported by the Tasmanian Urban Passenger Transport Framework and the Transit Corridor Plan for this corridor. The State Government is also considering the feasibility of operating a light rail service along the rail corridor between Hobart and Glenorchy, further supporting the focus on infill development along the corridor. The State Government in conjunction with Glenorchy and Hobart city councils has identified sites within 800 m of the Main Road Transit Corridor which could be suitable for infill development – the Main Road Transit Corridor Developable Sites Analysis. A GIS model was developed to identify prospective sites for infill development adjacent (within 800 m) to the Main Road Transit Corridor. This analysis provides a useful discussion on potential dwelling yield, redevelopment of industrial verses residential property (at a higher density) and car parking sites among other things.
- This previous work provides an excellent foundation for more detailed site investigations. Priority areas within the corridor now need to be identified where higher levels of infill are likely to happen in the short term (i.e. driven by market demand, and encouraged and facilitated by government intervention). It will be necessary to establish a set of criteria in order to ensure the areas and sites are identified transparently. The research and consultation undertaken during this study suggests an initial priority area could be between Hobart's CBD and North Hobart. The depth of the corridor would (i.e. how far a precinct stretches either side of the corridor) have to be determined via more detailed land use analysis.
- The Developable Sites Analysis notes that the infill targets for Hobart and Glenorchy will not be met solely through the redevelopment of sites adjacent to the Main Road Transit Corridor. Indeed much of the future infill development within Hobart and Glenorchy is likely to be met through land-use change. At this strategic planning stage much of this land-use change cannot be anticipated; however, because it is likely to make a significant contribution to redevelopment it must be considered. Importantly, all the existing key development/redevelopment sites and sites that become available via land use change need to be clearly identified, so that there can be no confusion as to the extent of the key development areas. The Governance Structure established to facilitate infill development (see below) is integral to meeting this challenge.

6.2 Recommendation 2 – Undertake a comprehensive strategic planning process

The *Southern Regional Land Use Strategy* identifies that significant amounts of infill development will not occur unless active measures to encourage and facilitate development are applied. The Strategy recommends a specific Infill Development Program to be developed, implemented and maintained, to be managed either by state government or a land development authority.

The Draft Hobart Capital City Plan notes 'there is a lack of integration between the planning of individual developments and broader community, urban design and infrastructure planning considerations, of both local and strategic significance.'

The preparation of dedicated precinct structure plans, including associated design guidelines, for priority precincts and areas is required. The Wapping Outline Development Plan and Local Area Plan are a relevant Tasmanian example of the importance of this recommendation. The strategic planning for Wapping played a significant role in the generally trouble-free development assessment process for most of the developments undertaken in this precinct.

The structure plan should be outcome-based and replace or override existing planning scheme provisions via its inclusion within the planning scheme as a special area. This process will involve comprehensive collaboration with the community and the outcomes will need to be tested from an economic perspective to be sure that its controls and mix of uses are more likely to result in feasible development. The community must provide a mandate for infill development to occur and the plans must facilitate development that the market is willing to implement. Owing to the resourcing requirements and costs of this process it is expected the State Government would take the lead in this process and work closely with relevant councils (see below for governance structure).

The Draft Interim Planning Schemes for both Glenorchy and Hobart denote particular inner urban areas where higher density residential development is appropriate through the utilisation of the Inner Residential Zone. While this will aid in increasing residential density in some locations, a more proactive approach is required for strategic areas and some specific sites, some of which are apparent now and others which will become available via land use change in the future. A dedicated strategic planning process for these sites and areas is warranted.

6.3 Recommendation 3 – Apply supply-side interventions

6.3.1 Increasing opportunity sites for infill

- Provide density and floorspace bonuses to promote site amalgamation within designated priority precincts. The bonus can only be achieved if certain criteria are met (i.e. site size, location, appropriate type of development).
- Identify government land within priority precincts that can be redeveloped as catalyst sites.

6.3.2 Improving development feasibility of infill

- Provide density and floorspace bonus within priority precincts in exchange for delivering an appropriate package of works that could comprise infrastructure and/or public domain works.
- Reduce on-site car parking requirements for new infill developments in priority precincts, provided they are within 400 m of public transport.
- State government to provide payroll tax relief and lower headworks charges for construction of new infill developments in priority precincts. Stamp duty on new dwelling purchases could also be reduced within priority precincts.

6.3.3 Improving efficiency of planning and development process

- A code-based assessment protocol would accompany the structure plan and design guidelines and apply to multi-unit developments up to three storeys. Refer to Section 2.3 for more information on codes assessment. In the Tasmanian context this would equate to a ‘deemed to comply’ or ‘acceptable solutions’ focus within the structure plan/special area. As discussed previously, a code-based system would complement the traditional merit based development assessment process.

- The inclusion of design guidelines in conjunction with deemed to comply or acceptable solutions is no easy task. However, to achieve the necessary growth in infill development, the tailored planning controls for infill development will need to move from the current cumbersome model of development assessment to one of a more proactive but targeted 'development facilitation' system.
- All infill development in priority precincts would have access to a one-stop shop for referrals and a 'deemed to comply' would be granted by an agency if they failed to respond in the established time.
- A dedicated assessment planner(s) would be responsible for working closely with developers to ensure applications for infill developments in the priority precincts are dealt with quickly and mutually beneficial outcomes occur more often.

6.3.4 Infrastructure provision

State and local governments to provide seed funding for local infrastructure upgrades and amenity improvements in priority precincts. This would be supplemented by developer contributions associated with new infill developments and bonus floorspace. Areas prioritised for seed funding should be those that will generated the largest return on public investment (i.e. where infrastructure and streetscape improvements are most likely to stimulate demand for new infill development).

6.3.5 Reform of Section 57 of the *Land Use Planning and Approvals Act 1993* (LUPAA)

The process for considering discretionary applications has remained substantially unchanged since the LUPAA's commencement. Currently, any variation to an acceptable solution, no matter how minor, renders the application discretionary; this triggers a statutory notification process and third-party appeal rights. Although the magnitude of variation or relaxation may be minor, or the matter may be entirely of a technical nature (such as site contamination), this can add unnecessarily to the time and cost of assessing the application. A more practical approach would be to:

- allow the exercise of judgement by council on minor matters, such as small variations to boundary setbacks, without the necessity for a full-blown notification and appeal process;
- limit those variations that are advertised to matters on which the public can provide meaningful input – so applications where the discretionary trigger is limited to technical assessments (such as site contamination) do not require a notification process.

In both instances, the application would still be at the discretion of council. This will provide a more efficient process for assessing and determining matters of limited impact, while still assuring the appropriate level of consultation occurs. This approach must clearly distinguish the circumstances in which discretionary application are not subject to notification.

6.4 Recommendation 4 – Apply demand-side interventions

6.4.1 Improve quality and frequency of public transport

Putting in place convenient, high-quality and frequent public transport along the Hobart CBD to Glenorchy corridor from the outset of the renewal process will send a clear message to developers and potential future residents. It will provide those living in close proximity to the corridor with a 'convenience dividend' not available elsewhere in the city. The Southern Tasmania Regional Land Use Strategy reflects the concept of Transit Corridors by encouraging residential density to be increased along high-frequency public transport routes and around activity centres.

The Tasmanian Urban Passenger Transport Framework and the Main Road Transit Corridor Plan are existing tangible actions supporting this recommendation. The State Government is also considering the feasibility of operating a light rail service along the rail corridor between Hobart and Glenorchy that would improve the quality of public transport.

6.4.2 Delivering housing diversity

Strategic planning for the priority precincts should facilitate the delivery of a range of infill dwelling types and price points.

6.4.3 Create high-amenity nodes along the corridor

Another convenience dividend that must be offered is the high-quality urban and civic environment. This links in with the aforementioned infrastructure provision intervention. Special local levies could also be applied to local businesses in the priority precincts to supplement government and development contributions towards improving the urban environment/streetscape (e.g. mainstreet levy on North Hobart businesses in return for matched or higher funding from local and/or state government).

6.4.4 Create safe communities (actual and perceived)

Local levies and infrastructure improvements should also extend to improving the safety of the priority precincts via the application of Crime Prevention Through Environment Design principles.

6.4.5 Create attractive and highly liveable infill development

The Draft Hobart Capital City Plan notes ‘The quality of design, an appreciation of a development’s functionality, sustainability, identity and its intangible impacts on the surrounding environment and broader community, is undervalued, and effectively omitted from the assessment process.’

The preparation and application of the aforementioned design guidelines informed by the Residential Development Strategy 2013 and the associated Liveability Development Principles for the priority precincts will go some way to responding to the Draft Hobart Capital City Plan and will ensure that new infill development is attractive form the outside and highly liveable on the inside.

6.5 Recommendation 5 – Apply governance structure most likely to achieve desired outcomes

To guarantee success there is the need for a governance model that sets the development agenda by engaging key stakeholders and communities, developing policy and strategy and influencing the government and business settings to achieve the outcomes sought. Critically the governance model would consider development from a systemic and integrated perspective. The Southern Regional Land Use Strategy identifies that a specific Infill Development Program should be managed either by state government or a land development authority.

A new governance model is required because:

- more than one local council is likely to be affected;
- added transparency is required because of potential conflicting interests;
- there is a need for coordination of transport and other relevant infrastructure to facilitate renewal.

The responsible body needs to addresses matters at a Greater Hobart scale that largely ignores the municipal boundaries – recognising that land use and development, the environment, the economy, social and demographic change, and communities in the way they function and interact, are not artificially constrained by local government boundaries. This body must accept and plan around the notion that the broad scale trends at a city level are more significant than the expression of those within the various local government components.

In creating a governance model, the historically modest population growth and levels of residential development must be acknowledged. There is unlikely to be the demand to justify significant resources. The success of the Wapping Implementation Group is a tangible example of how creating a streamlined, fit-for-purpose governance model can be successful in a Tasmanian context.

Two governance options are suggested.

State government body

A dedicated government body made up of inter-agency representation should be established to determine the priority precincts, prepare the structure plans, further develop and facilitate the supply-side interventions (Recommendation 3) and appropriate demand-side interventions (Recommendation 4, with the exception of transport related actions). This body will have a defined timeframe to undertake all necessary upfront strategic planning and to put the mechanisms in place to ensure the other suggested interventions are enacted. Once the structure plan becomes part of the planning scheme the planning process itself should be handed back to council for on-going development approval.

A key component of this body will be the coordination across state agencies and between different levels of government and infrastructure providers to ensure strong support for the priority precincts and associated interventions.

In this instance there is a requirement for commitment and funding but no legislative change. Local government will play a key role in the implementation and delivery of the priority precincts.

Urban renewal authority

The challenges previously highlighted suggest a governance model involving a dedicated urban renewal authority as a policy, strategy and enabling organisation within Greater Hobart, providing a combination of leadership, facilitation and implementation.

This authority should have a head of power, be well funded (initially through seed funding and then on low recurrent funding, moving to operating on a commercial basis) and take an active approach in controlling government land and de-risking it for the market. The de-risking process should include undertaking the necessary detailed site investigation work to reduce uncertainty or developer risk. Depending on the individual site circumstances this may include matters such as site contamination, archaeology and heritage.

The authority should determine the priority precincts, prepare the structure plans, further develop and facilitate the supply-side interventions and appropriate demand-side interventions. In addition, the authority could be made a planning authority, pursuant to LUPAA. At all times council must be an integral stakeholder in the process.

In addition, the authority's activities should include buying up target parcels, site amalgamation and, when ready, selling back to the market, possibly at a subsidised price. The authority could be a joint state and local government structure (similar to the Wapping Implementation Group) or separate, as is the case in some of the examples cited previously.

This approach offers greater flexibility to respond quickly to market forces.

Irrespective of the governance structure applied, there are a number of important principals to achieving success.

- Apply significant resources at the very beginning of the development of the structure plan to confirm strategic considerations that will inform design. This early investment in mapping out what the program is trying to accomplish and how it will operate will save immeasurable time and energy later on when critical design decisions will need to be made. At a minimum, a clear picture of the project's strategic goals will need to be developed, its scope and duration and the types of outcomes that are expected within the anticipated timeframe.
- Don't overlook the importance of building early momentum and showing visible results. Part of the leadership task is demonstrating very early that results matter. Many of the goals will be difficult to achieve and take many years to accomplish. But there ought to be some opportunities, even before the implementation begins, for showing early results that set the stage for those that are to come later. These early wins are invaluable in building confidence and enthusiasm for the work that follows.
- The Authority must have 'first right of refusal' for any government or GBE sites that become available in the targeted infill areas.

Programs, such as this, that require long-term and ongoing stakeholder support, need the momentum that comes from a few early wins that reinforce development. Momentum builds credibility, sustains interest and attracts resources.

- Managing stakeholder relationships is core to success. Good stakeholder relations are a prerequisite for good risk management, will help achieve better project outcomes and, like any other business function, need to be managed.
- The buildings, space and infrastructure combinations become a means to an end. It is therefore critical that the community and key stakeholders have a clear picture and joint understanding of what end, or outcome is sought from development. This in effect becomes the 'macro-level brief' for describing, defining and designing the physical attributes of the precincts.
- Provide a vibrant and dynamic urban environment. The project will need to demonstrate significant value for the wider community and learn from international best practice that demonstrates truly people-orientated environments to be successful.

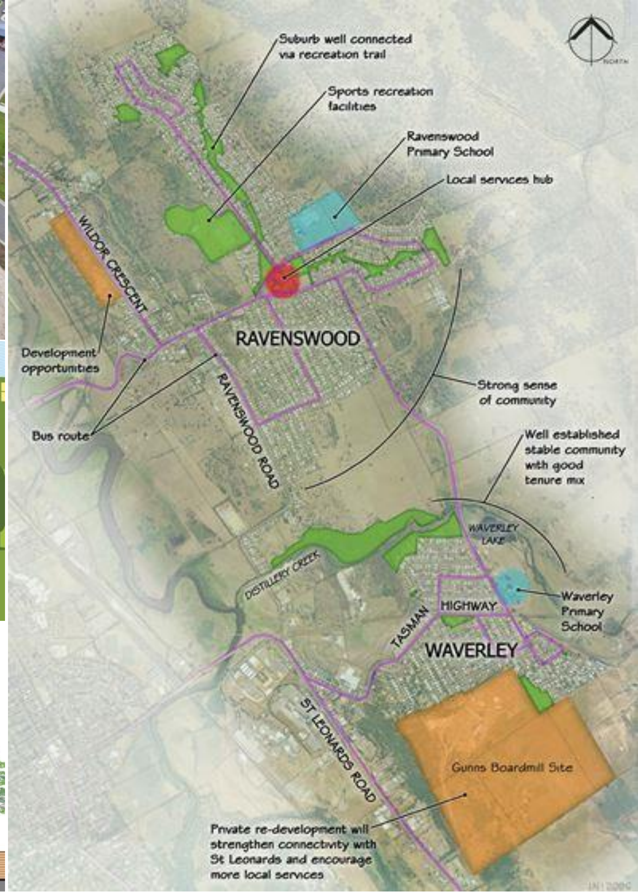












7 Conclusions

Merely relying on past arrangements will not meet future needs and demands, as new priorities have emerged. The need to link sustainable and liveable urban forms to employment, transport, mobility and access is now critical. While these issues require high-level policy and coordination they have to be translated to the reality of local delivery. Spatially these changes demand new and different urban forms, movement systems and the way in which key land uses are sited.

Greater Hobart has sufficient prospect of future investment and growth that it can be more sophisticated and direct where infill development needs to be sited and set the parameters for that development. Secondly it is critical that those responsible for guiding development work with communities to agree on the location, timing and performance criteria of this infrastructure.

If done well, this project will not only add value to Greater Hobart and its community but also leverage further value across many dimensions – a true investment in the future. The key to implementation is the ability to provide simple pragmatic guidelines and then use exemplary projects that can quickly and successfully produce results that demonstrate the efficacy of the new approach.

Over the next decade, infill development areas in Greater Hobart can (and will need to) become known as the most desirable locations for new urban development.

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